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NEWS SUMMARY

GENERAL

Tehran water chief seized

Director-General of Tehran's Regional Water Authority was taken hostage by workers protesting at cuts in their allowances and extra payments.

The 7,000 employees occupied the authority's building in the most significant challenge yet to a Government bid to cut spending by wage reductions.

A long water workers' strike would be very serious because a drought has already led to depleted reservoirs. Water rationing is forecast. Page 4

Black youth killed

Black youth was shot dead by police in Uitenhage, South Africa, after a stone-throwing incident.

Vietnam talks

Highest-ranking delegation of Chinese ever to leave Vietnam is holding secret talks in Moscow thought to involve Vietnam's military strategy in Indo-China.

Bangkok violence

Police went on alert in Bangkok, Thailand, following an outbreak of terrorist violence which left more than 40 people injured in bomb explosions.

Begin recovers

Israeli Premier Menachem Begin appeared to be recovering from his heart attack. His doctor predicted a return to work within four weeks.

Strike threat

More than 10,000 New York police, firemen, prison wardens and dustmen agreed to strike from Thursday unless their 10 per cent pay claim is met. Page 6

Financier jailed

Former City banker and financier Ellis Seillon was jailed at the Old Bailey for two years for conspiring to defraud a bank of £1m.

Man remanded

Former company managing director Edwin Hearn accused of obtaining the Queen's Award for Industry by making false representations was remanded in custody by magistrates in Norfolk.

Pope's visit

The Pope met criminals in a top security jail near Brasilia at the start of his second day in Brazil.

Heart transplant

Richard Britain at 16 the UK's youngest heart transplant patient, was making satisfactory progress at Papworth Hospital, near Cambridge.

Wimbledon hit

Wimbledon looked certain to spill into a third week as play was again severely curtailed by rain on one of the coldest July days on record. John Barrett, Page 12

Monet well spent

Impressionist and modern pictures were auctioned at Christies, London, with a top price of £150,000 being paid for Monet's "Chemin dans les Vignes, Argenteuil." Salcromo, Page 12

Briefly . . .

Five people died when their car skidded into a dyke in Suffolk as torrential rain swept East Anglia. Forecast. Back Page

Cold spell in the Johannesburg area has killed 11 people.

About 60 pilot whales died after beaching themselves north of Sydney Australia.

Hijacker gave himself up at Buenos Aires airport after commandeering an airliner for 13 hours.

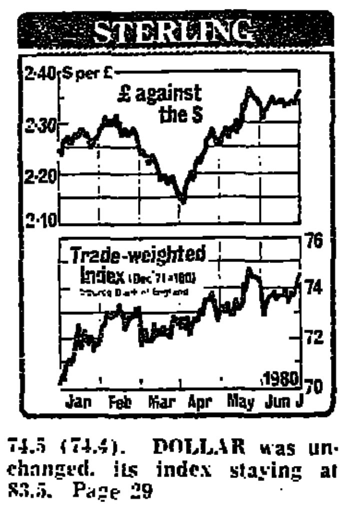
BUSINESS

Equities off 3.4; gold up $9

● EQUITIES saw some speculative buying, but institutions failed to show any interest. The FT 30-share index lost 3.4 to 461.4. Page 32

● GILTS recovered early losses on revived small investment demand. The Government Securities index eased 0.03 to 69.09. Page 32

● STERLING was slightly firmer at $2.3602, up 37 points. Its trade-weighted index was



74.5 (74.4). DOLLAR was unchanged, its index staying at 85.5. Page 29

● GOLD rose $9 an ounce in London to $660.50. Page 29

● WALL STREET was 3.07 higher at 876.99 before the close. Page 30

● BRITISH STEEL has warned that a 50 per cent rise in electricity charges may make electric arc steelmaking in the Sheffield area commercially unviable. Back Page

● COMPANY and tax law changes are planned to create a more flexible and competitive environment for British industry, according to a Green Paper published yesterday. Back Page

● TESCO stores group, which devoted less than 2 per cent of its profits to paying corporation tax in the last three years, has had two tax relief claims challenged by the Inland Revenue. Lex, Back Page

● ALGERIA has raised its oil prices by $1.79 a barrel to the new ceiling of $37 a barrel set by OPEC members last month. Back Page

● OIL PRODUCERS could see exports to the industrialised world fall from 21.8m barrels a day in 1980 to only 19.9m b/d in 1985, says a survey. Page 11

● COPPER prices jumped on the London Metal Exchange after it was confirmed that U.S. workers had gone on strike when their labour contracts ended. Page 31

COMPANIES

● BRITISH PETROLEUM is to buy the Belgian Tensia Group, a leading detergent manufacturer, for £25m-£35m. Page 20

● B AND W BERISFORD, the commodity merchant which made a £120.6m bid for British Sugar Corporation, plans to raise £28.5m from shareholders with a rights issue. Back Page

● IMPERIAL CONTINENTAL GAS Association raised pre-tax profits by 14.9 per cent from £33.39m to £38.35m for the year to March 31. Page 20

● TRICENTROL oil group expects second-quarter profits this year to total £7.86m, compared with £11.73m in the first quarter and £4.02m a year ago. Page 20

● PROPERTY HOLDING and Investment Trust reports taxable profits down from £2.24m to £1.25m for the year, mainly because of exceptional repair costs. Page 21

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES					
Avana	138	+ 4	Assd. Dairies	176	− 4
Courtaulds	80	+ 3	Bassett (G.)	45	− 11
Flight Refuelling	322	+ 8	Berisford (S. W.)	146	− 13
Hay's Wharf	240	+ 74	Dixons Photo	95	− 5
Prov. Financial	126	+ 4	Dowty	195	− 7
Wilkinson Match	129	+ 11	Fidelity	25	− 4
Imp. Cont. Gas	395	+ 23	GEC	396	− 10
Ashton Mining	144	+ 6	Glenfield Lawrence	35	− 8
Coronation Synd.	290	+ 30	GUS A	424	− 6
Greenvale	155	+ 35	ICI	376	− 6
Hampton Areas	380	+ 20	Midland Bank	350	− 8
Harmony Gold	157	+ 23	Mothercare	228	− 6
Intnl. Mining	50	+ 7	NatWest Bank	360	− 5
North West Mining	147	+ 27	Prop. Hldg. Invest	134	− 4
Poseidon	250	+ 15	Reed Intnl.	176	− 7
Strata Oil	114	+ 14	Attock Oil	290	− 20
Vamgas	365	+ 65	Basic Resources	585	− 65
FALLS			Tricentrol	392	− 6
Alpine Hldgs.	53	− 2	Kloof Gold	£13	− 4

Schmidt's Moscow visit raises hopes of missile talks

BY JONATHAN CARR IN MOSCOW

The prospects for East-West negotiations on the control of intermediate-range nuclear missiles appear to have improved as a result of Chancellor Helmut Schmidt's two days of talks with the Soviet leadership.

The West German leader told a Press conference yesterday he had "reason to believe it will come to negotiations" on the missiles problem.

He had always thought that East and West would eventually discuss the issue and his talks in Moscow had strengthened this view.

Earlier, West Germany and the Soviet Union signed a long-term industrial and economic agreement which could well run into U.S. antagonism, coming so soon after the Soviet invasion of Afghanistan. It covers nuclear power, as and raw materials, and high technology.

Herr Schmidt declined to give details of what specific advance on the missiles issue might have been made in his Kremlin talks with Mr. Leonid Brezhnev, the Soviet President. Bonn, he said, would inform its allies of the result. Today, Herr Hans Dietrich Genscher, the Foreign Minister, will be flying to Paris and Washington to report on the Moscow discussions.

The question of Afghanistan was discussed. Herr Schmidt said, "with great openness" on both sides. But Moscow gave no sign that it was planning further troop withdrawals beyond that announced late last month.

Her Schmidt's talks appear to have concentrated heavily on the missiles question. Both the Soviet Defence Minister and his deputy were unexpectedly drawn into the talks yesterday for two hours at the Chancellor's request, apparently so that Herr Schmidt could detail his concern at the Soviet development of SS-20 missiles and the Backfire bomber.

It was because of the Soviet build-up in the intermediate-range sector — missiles which can hit almost any target in Western Europe direct from Soviet territory — that NATO took two interlocking decisions last December. One stated that the West would produce such missiles of its own, while the second urged the Warsaw Pact to take up the offer of negotiations on the issue. The suggestion was that, if the negotiations proceeded satisfactorily, few, if any, Western missiles would have to be deployed in Europe.

The Soviet Union has repeatedly refused negotiations until NATO rescinds this decision, saying that the West was seeking to gain unilateral advantage through it. While Soviet officials on the edge of the Moscow talks have continued to express this view of the NATO action, there is no reaffirmation of it either in the joint German-Soviet final communique or in a report on the Kremlin talks issued by the Soviet news agency TASS.

The communique says that in connection with the missiles issue "attention was given to prospects for negotiating an agreement." TASS said on the same topic: "The two sides declared they were in favour of finding a settlement which would meet the principles of equality and equal security."

This tone was softer than the one adopted by TASS in connection with Herr Schmidt's comments on the missiles issue at a Kremlin banquet on Monday night. Then the agency had drawn attention to what it said were felt to be weaknesses in the Chancellor's arguments.

On Monday night Herr Schmidt had forcefully urged the Soviet Union to adopt a timetable for reducing its forces in Afghanistan. In answer to Press questions, he stressed that this proposal did not exclude the recent U.S. suggestion for an interim solution in Afghanistan.

Continued on Back Page
Bonn in industrial, economic accord with Moscow, Page 3
Editorial Comment, Page 18

Curb on top pay in Civil Service

By Richard Evans, Lobby Editor

HEADS OF nationalised industries, senior civil servants and the judiciary could be restricted to salary increases of 14-16 per cent. This follows confirmation by the Cabinet yesterday that senior public servants will be expected to set an example in the next pay round.

It is expected, also, that MPs will receive a 12-14 per cent increase.

A broad decision in principle was taken at the special Cabinet meeting to restrict increases for the senior public servants to well below levels recommended by Lord Boyle's top salaries review body. Details remain to be worked out.

Lord Boyle is believed to have recommended about 28-30 per cent for senior public servants, because of the amount by which they have fallen behind in recent years, but the Prime Minister is believed to favour 14-16 per cent.

The decision, likely to be announced next week after further Cabinet discussion, will cause a furore throughout the public sector, particularly among heads of nationalised industries. It will further restrict differentials and make recruitment at senior levels more difficult.

Unlike on previous occasions, it will be a once-and-for-all cut in salary rises. There will be no question of catching up later.

Going rate

But Ministers believe the Government faces a crucial dilemma in the public sector over pay next winter. Expectations are high because of inflation. Ministers believe an example must be set at the top.

An announcement on MPs' pay, which is also likely to be restricted to below Lord Boyle's recommendations, will be made on the same day. Expectation at eWstminster is that MPs will receive a pay rise of about 12-14 per cent.

Whether the Government wishes it or not, the range chosen for top people's salary increases is likely to be seen as the projected going-rate for the public sector in the next pay round.

In the Commons yesterday Mrs. Thatcher went further than before in signalling demise of the Clegg Commission Pay Comparability. The Prime Minister said: "I do not think the life of that commission will be indefinite."

During Questions to the Prime Minister, Mr. Geoffrey Rippon, former Environment Secretary, condemned the commission as a disaster.

Extra aid for Harland and Wolff yard

BY JOHN ELLIOTT AND STEWART DALBY

THE GOVERNMENT has mounted a rescue operation for the Belfast shipyard of Harland and Wolff.

It has promised to provide State funds of at least £66.5m over two years despite warning last summer that no more support would be provided unless productivity improved.

Productivity has worsened in the past year, but the Government has shrunk from allowing the State-owned yard to collapse because this would lead to 7,000 shipyard workers being put out of jobs.

The Government will provide funds to cover losses estimated at £24m for 1979-80. It will inject at least a further £42.5m in the current year

This is in addition to £22m aid provided last year for 1979-80. At the same time it is considering a management shake-up at board level.

The new aid was announced yesterday only five days after Sir Keith Joseph, Industry Secretary, said he had agreed to abandon this year's financial targets for the British Steel Corporation and provide extra funds of perhaps £400m.

Both decisions illustrate the problems Ministers are facing in trying to operate their policy of disengagement from industry at a time of worsening recession, particularly in the shipbuilding and steel industries which are facing special worldwide problems.

The Government hopes, however, that the new aid for Harland and Wolff will not mean any increase in public spending.

Mr. Humphrey Aatkins, Northern Ireland Secretary, announced earlier this week that the Government is imposing a freeze on all public expenditure in the province until funds have been realocated.

The 1980-81 budget is £2bn and it is believed that Mr. Atkins made his decision in order to be able to allocate money to Harland and Wolff and to other job protection schemes.

Together with Courtaulds, Harland is the largest single industrial employer in Ulster where there have been announcements of heavy redundances in recent months.

Details of the fresh aid emerged yesterday in a long Commons statement by Mr. Giles Shaw, Northern Ireland Minister for industry. He attempted to explain the Government's change of policy by saying that the lack of improvement in productivity was not entirely the fault of the management and workforce.

The yard now had a chance to improve its performance when working on two BP tanker orders, together worth £50m, which were announced last week.

The Government is to establish an independent review team to examine ways of diversifying work at the yard. In addition, said Mr. Shaw, the Government would be "reviewing the structure of the Board and its executive management policy."

Shipbuilding Orders 'inadequate,' Page 10

GEC and Fairchild abandon joint venture

BY GUY DE JONQUIERES

THE General Electric Company (GEC) and Fairchild, the U.S. semiconductor manufacturer, have abandoned their joint venture to mass produce microchips in Britain.

GEC said yesterday the decision was taken after Fairchild's parent company, the French-owned Schlumberger oil services group, had expressed doubts that the project was viable.

GEC has acquired Fairchild's interest in the venture and will complete the factory at Neston, Cheshire, which was intended to house the project.

It will be used for the Sting Ray underwater anti-submarine missile programme being carried out by the Space and Defence Systems group of its Marconi division.

It was not clear what, if any, arrangements had been reached between the two companies on compensation.

They agreed last summer to invest about £10m in the project. Most of this sum was to be provided by GEC in exchange for an undertaking by Fairchild to supply the MOS (Metal Oxide Silicon) technology needed to make the chips.

The decision leaves INMOS, the National Enterprise Board subsidiary, as the only project for the production of large-volume "standard" microchips in which there is a UK interest.

The Neston plant, on which construction work has been largely completed, was due to start production of microchips this autumn.

But the future of the project has been increasingly in doubt since Schlumberger took over Fairchild late last year. The French group has consistently declined to comment on the venture.

GEC has also indicated that it has been recently reconsidering whether it was advisable to get involved in large-scale production of micro chips, the bulk of which would be intended for sale on the competitive world market.

The company is believed to think that the case for the joint venture has weakened since several U.S. semiconductor companies announced plans to open manufacturing plants in the UK.

The company's policy now is to purchase selectively from the outside much of the microelectronic technology which it requires and use it to produce advanced components under licence.

GEC has received a £200m contract for the final development and initial production of the Sting Ray system from the Defence Ministry. It said the Sting Ray was the most advanced lightweight torpedo in the world and had considerable export potential.

Luxembourg Minister to succeed Roy Jenkins

BY OUR FOREIGN STAFF

M. GASTON THORN, Luxembourg Foreign Minister, will succeed Mr Roy Jenkins as President of the European Commission on January 1, the Luxembourg Government announced last night.

EEC Foreign Ministers agreed on M. Thorn late on Monday after France had apparently withdrawn its long-standing reservations about what President Valery Giscard d'Estaing is believed to regard as M. Thorn's excessive enthusiasm for a strong Brussels Commission.

The French Government is also believed to be concerned that, because Luxembourg yesterday took over the ratating presidency of the EEC Council, M. Thorn might be exposed to som conflict of interest during the six months before he takes over from Mr Jenkins.

M. Thorn, aged 51, has been prominent in Luxembourg politics for nearly two decades, and served as Prime Minister from 1974 until last year. A formal announcement by the Community of his appointment is expected at the next meeting of EEC Foreign Ministers on July 22.

£ in New York

—	June 30	Previous
Spot	$2.3560-3570	$2.3530-3550
1 month	1.80-1.75 dis	1.60-1.55 dis
3 months	4.20-4.15 dis	4.25-4.20 dis
12 months	9.15-9.00 dis	9.50-9.35 dis

Aston Martin bid for MG fails

BY JOHN GRIFFITHS

THE ASTON Martin-led consortium's bid to take over the building of MG cars from BL has failed.

Production of the MGB sports car is expected to cease in about three months. The 850 workers at the Abingdon plant will be told on Friday whether there is any chance of some jobs being salvaged. Ironically, had the consortium not appeared on the scene, BL would have implemented plans—since dropped—to save at least 400 jobs.

At a meeting in the City yesterday, the consortium told Mr Pratt Thomson, BL International's chairman, that it had been unable to come up with the necessary finance. Of the estimated £20-£25m needed, it is understood the consortium had found only about £1m after potential UK-based investors withdrew earlier.

BL left the door open to reviving an agreement if Mr Alan Curtis, Aston Martin's chairman, succeeded in a last-ditch attempt to raise funds from Japanese sources.

But the prospects of doing so in time are bleak.

BL said that it expects to lose £20m on the MG operation this year. With 13,000 unsold cars in the U.S. and elsewhere, Mr Thomson made it clear that BL had no option but to stop production as soon as possible.

A statement issued after the talks said:

"BL Cars has been informed by the consortium that they are unable to raise funds as envisaged in the agreement in principle of March 31 and regrettably has no alternative but to cease production . . . BL has advised the consortium that should it succeed in raising the necessary finance BL would be fully prepared to reopen discussions."

The Abingdon workforce was told of BL's decision yesterday afternoon.

Before Friday, BL management will be examining ways in which some jobs might be saved.

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EUROPEAN NEWS

Trade gap widens in Italy

By Paul Betts in Turin

OFFICIAL FIGURES showing a trade deficit of L1,513bn (£773m) in May further underlined yesterday the sharp deterioration in Italy's general economic situation. They were released on the eve of a key Cabinet meeting today which is expected to approve a package of emergency economic measures to help support the currency and boost industry's competitiveness.

In the first five *months of* this year, the trade deficit totalled L6,803bn (£3.47bn) compared to a deficit of L1,350bn (£690m) during the same period last year. The increase reflects the substantial rise in the cost of oil imports, which in May alone amounted to L1,304bn, coupled with a fall in export performance. Exports increased by 18 per cent during the first five months compared with the same period last year. Imports grew by 40.6 per cent.

Meanwhile, nearly 6m workers temporarily paralysed Italian industry for four hours yesterday following a nation-wide strike call by the unions to press for government aid to increasingly troubled industrial sectors including chemicals, vehicles and telecommunications.

Detente is alive and well—between Greece and Turkey

BY DAVID TONGE, DIPLOMATIC CORRESPONDENT

DETENTE IS alive and well—at least between Greece and Turkey. That was the message from Ankara this weekend, after the meeting between the two countries' Foreign Ministers. But for the many North Atlantic Treaty Organisation officials who believe the alliance's southern flank is its Achilles heel, the meeting was no occasion for joy.

On the positive side, it was the first time a Greek Foreign Minister had visited Ankara in two decades, and it led to the two countries agreeing that they should talk at that level more frequently. But, less hopefully, the whole Atlantic Alliance meeting showed that none of the countries which can influence Greece and Turkey were prepared to cajole, wheedle or bully the two putative allies to compromise over the Aegean Sea dispute which divides them and weakens the alliance.

Recent months have seen fresh statements by the Prime Ministers of the two countries, attacking speeches by each other, and more complaints about flights by Turkish military aircraft in disputed air space. It is now five years since Greece's aged anti-aircraft batteries last fired on a Turkish aircraft and the prospect of war is remote. But the dispute over air and sea rights, although arcane in detail, has deeply corroded the alliance. It is preventing Greece's full reintegration into the alliance's military command. It is fuelling resentment against the U.S. among Greek leaders, and delaying signature of an agreement to cover the future of the important U.S. bases and military facilities in Greece. More ominously for the alliance, it is helping the rise of an opposition which, unlike the present Greek Government, is bitterly critical of Greece's alliance membership. Now, with Greece due to become the tenth member of the European Community next year, it is about to become an internal problem of the Community itself.

All Atlantic Alliance members agree with Britain that resolving the difficulties between Greece and Turkey must be "one of the aliance's most pressing political aims." But moving from this tacit agreement to action has been difficult. Some Western countries suggested to West Germany that, in exchange for co-ordinating a major package to aid the Turkish economy, Bonn should insist on progress in the Aegean. This suggestion was turned down.

Washington also has reservations about pressing for a solution, according to other alliance members. They explain that in an election year the U.S. Administration has to keep a wary eye on the vote of the 2m Greek Americans.

In practice, the alliance has delegated the task of bridging the Aegean to Gen. Bernard Rogers, the supreme allied commander in Europe. Since succeeding Gen. Alexander Haig, he has continued his predecessor's shadowy shuttle diplomacy between the two sides.

He has played his cards close to his chest, but the general mood is that "There appears ... to be little common ground for current (Atlantic Alliance) reintegration negotiations," as a recent staff report for the U.S. Senate Committee on Foreign Relations concluded.

On the surface, the dispute over Greece's re-integration into the alliance merely involves differences over the allocation of military command and control. But underneath lie the anxieties of both countries over their vital interests. In Turkey's case, the fundamental worry is that Greece might try to turn the Aegean into a "Greek lake," cutting its ports off from international waters and depriving it of an equitable share of the Aegean seabed. (That the prospects for oil are relatively poor is less important than the issues involved.)

The Greeks' concern is for no less than the future of their outlying islands.

The Aegean has been a sea of conflict ever since Agamemnon sailed for Troy. The last territorial change was in 1947, when the Treaty of Paris saw the allies taking the Dodecanese islands from Italy and giving them to a war-proud Greece.

That treaty altered the balance between Greece and Turkey established under the Treaty of Lausanne in 1923, and to some extent sowed the seed from which the present troubles were to spring.

After years of muted argument, the problems came into the open in November, 1973, when Turkey awarded mineral exploration rights in parts of the Aegean seabed claimed by Greece and between the Greek islands and the Greek mainland.

In July, 1976, both countries were put on a war footing as Turkey carried out further survey work in disputed areas.

Greece took the matter to the United Nations Security Council and later to the International Court of Justice at The Hague. Since then, the two countries have defused the issue, held a summit meeting in Montreux, and had regular talks between the secretaries-general of their Foreign Ministries.

But the issues remain unsolved, with the only concrete progress being this February, when Aegean airspace was opened to international air traffic for the first time since 1974.

The main problems are:

- The continental shelf: The Greeks claim that under the 1958 Geneva Convention, islands have a claim to their continental shelf. They draw a line equidistant between the eastern-most fringe of their Aegean islands and the Turkish mainland, claiming the shelf up to that line. The Turks argue that, under the emerging Law of the Sea text, coastal states have precedence over islands. They assert that the demarcation line should be down the centre of the Aegean, midway between the two mainlands.
- Territorial waters: Both sides claim territorial waters of six miles. Greece has reserved the right to claim a 12-mile limit. This would increase the share of the Aegean which is sovereign Greek water from 35 to 64 per cent. It would close off Turkey from unfettered access to the high seas, and Turkey has said it would consider such a step by Greece as a cause for war.
- Air space: Greece claims rights over airspace extending 10 miles beyond its territory. Turkey only recognises its rights to six miles, and, to Greek protests, insists on flying aircraft in the disputed area.
- Military command of the Aegean airspace: before Greece withdrew its forces from the Atlantic Alliance in 1974, a Greek commander had operational control of the airspace of the Aegean up to, approximately, Turkish territorial waters. The Greek commander came under an American general based in Izmir.
- Naval command in the Aegean: Turkey had long objected to Greece having naval command in the Aegean. As with the airspace, it is demanding that this be solved before Greece is allowed back into the alliance's command structure.

The various formulae proposed have been militarily unsatisfactory, but many Alliance countries argue that it is worth making a small military sacrifice to political expediency. What has been lacking so far, on either side of the Aegean, is any evidence of the will necessary to do this.

WHAT GREECE AND TURKEY MEAN TO NATO

	Turkey	Greece
TANKS	3,500	1,320
COMBAT AIRCRAFT	303	259
DESTROYERS / FRIGATES	14	16
SUBMARINES	13	7
TOTAL ARMED FORCES	470,000	184,600

Professor Günter O. Eser, member of the Executive Board, Lufthansa.

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Rumours send East mark tumbling

BY OUR BERLIN CORRESPONDENT

THE non-convertible East German Mark has fallen to its lowest level in more than a decade against the Deutsche Mark on rumours that East Germany is planning to call in its currency and issue new bank notes.

Twenty Deutsche Marks bought 100 East German Marks yesterday at exchange bureaux in West Berlin, while sellers of East Marks had to pay 100 of them to buy DM 17.

East Germany officially pegs its currency at one East Mark to one D-Mark, but millions of East Marks are smuggled to the West by retired East Germans and by East Europeans who are allowed to visit the West.

East Berlin has issued an angry denunciation of Western reports that some West German banks have halted dealings in East Marks because of the fall in the exchange rate.

Without mentioning the rumour of a possible change in East German bank notes, the official news agency said the impression had been given that the East Mark had suffered from the same "depletion" as the Deutsche Mark. This it called "downright nonsense," as the East German Mark "cannot even be taken to the capitalist West according to the currency laws of the GDR."

Herr Hans Binsch, the owner of a West Berlin exchange bureau specialising in non-convertible East European currencies, said his spread between the buying and selling rates for East German Marks is normally DM 2.50 but that he now takes DM 3 "because of the risk," while some banks are charging DM 4.

He doubted, however, that East Germany plans to issue new currency in order to wipe out the East Marks in the West as well as black market money inside East Germany because the cost would be out of proportion to the gain.

Herr Binsch also discounted West German reports that East Germany is dumping large amounts of its currency in the West in order to obtain badly needed hard currency.

All quiet on the Eastern front

BY LESLIE COLITT AT OBERSUHL ON THE EAST-WEST GERMAN BORDER

NOT ONE East German has managed to escape into West Germany this year along the 71-kilometre stretch of border patrolled by Capt. Arnulf von Stein of the West German frontier police and his 15 men. Last year, seven East Germans made it into his part of the border, separating the Land of Hesse from Thuringia in East Germany. Through dense forests and across the Werra River and lush pasture land the frontier winds, separating villages and families less than a kilometre apart.

These days the West German border patrols are reporting "no incidents" along the entire 1,344-kilometre frontier. Only 89 East Germans escaped to West Germany in the first four months of this year, and most of them were smuggled out in Western cars down the East German transit autobahns between West Berlin and West Germany. Last year, 463 East Germans made it to the West, of whom about 400 came out via the transit routes.

The sharp decline in the number of escapes across the frontier, which runs through the "green heartland" of Germany, has caused one West German frontier police commander to speak of a "rusting border," rather than an "Iron Curtain."

Ten years ago, the commander's remarks would have spelled the end of his career. A heated debate would have begun—especially in an election year like this—over which political party had deserted the goal of a united Germany. Today, after a brief flareup over the commander's remarks, the once-emotive border issue has again receded to the back of the minds of most West Germans.

But the border commander was sharply attacked by Herr Werner Marx, the Opposition Christian Democrat spokesman on inter-German affairs, who called the remarks "unbelievable" and said the "Iron Curtain not only isn't rusting but is being perfected."

Viewed from just outside the village of Obersuhl in West Germany, the "modern state frontier" stretches back one kilometre to the village of Untersuhl in East Germany. Between them is a 3.3-metre-high wall at Untersuhl, a dog run, a six-metre-wide control strip which is always freshly raked and illuminated at night by arc lights, an anti-vehicle trench and finally a metal grid fence 3.2 metres high.

"It has become very quiet here," says Capt. von Stein. The last shooting incidents between his men and the East German border troops on the other side took place years ago.

This fence has replaced a row of barbed wire fences, between which were landmines which used to explode under the weight of heavy snow, or were set off by straying animals.

Elsewhere along the border the minefields are gradually being replaced by the metal grid fences. These fences have SM-70 self-firing devices mounted on them every 10 metres at three different heights. The weapons are triggered by anyone touching the fine wires running along the fence. A burst of shrapnel is released, designed to immobilise, but not kill, escapees.

No one knows how many East Germans are caught trying to escape, but each year the West German Government buys the freedom of about 1,000 East and West Germans from East German prisons, and among them are would-be escapers who have served all or part of their sentences.

To effect this transaction, the West German Government uses the expensive services of Herr Wolfgang Vogel, the East German lawyer who represents the prisoners. Herr Vogel was recently angered by a West German human rights group which attacked his motives but his work has not been interrupted. Another group of freed prisoners arrived by bus recently at the West German border.

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New man in Brussels: Thorn in Giscard's side

By John Wyles in Brussels

LIKE HIS native Luxembourg, M. Gaston Thorn has never let his size temper his ambitions. This diminuative 51 year-old will swap the job of Luxembourg's foreign minister for the post of President of the European Commission, in succession to Mr. Roy Jenkins.

The sigh of relief from Luxembourg may well be audible 135 miles away in Brussels if he finally sinks into the President's chair at the beginning of next year. After being the front runner for the past six months, it seemed that EEC heads of government, more especially President Valery Giscard D'Estaing of France, were reluctant to award him the prize when they came to make their choice at the Venice summit.

Sole reason

Even now, France's acceptance this week of Luxembourg's former Prime Minister remains qualified and this is the sole reason for the delay in making an official announcement.

If M. Thorn stands down then the EEC council of Ministers—which Luxembourg also now heads—could have its first Woman President because Mme Colette Flesch, the Mayor of Luxembourg, was benig tipped here yesterday to succeed him at the Luxembourg foreign office.

France is finding it difficult to swallow the curious precedent that for the next six months M. Thorn could well be straddling two of the Community's three institutions. Under the six-month rotation system, the Presidency of the Community yesterday pased from Italy to Luxembourg which means that Foreign Minister Thorn is now president of the EEC's Council of Ministers.

President Giscard is probably more worried that President-designate (of the Council) Thorn. The Council's President might, for example, seek to exert heavy influence over President-designate Thorn over the members of the new Commission to be appointed by the Ten (Greece becomes a member from January 1 next year). Mr. Jenkins would have wished for more authority over Commissioners' appointments and M. Thorn wants a real voice in the choice of his colleagues.

Ambition thwarted

Mr. Thorn's "European" convictions are widely held to be part of the reason for President Giscard's original reluctance to endorse him. A year ago France helped thwart one of his ambitions with Madame Simone Veil carried off the Presidency of the European Parliament.

Given the decline of the Commission's authority over member governments for the tasl ten years, M. Thorn's belef in a strong and vigorous Commission promises some interesting clashes.

He has been his country's foreign minister for seven of the last 12 years and Prime Minister for five. There seems little duobt about the experience he would bring to the job, nor about qualifications—on paper—to hold his own on the World Stage.

M. Thorn has a reputation as a fixer able to reconcile conflicting interests. This is a natural role for a Luxemburger whose country is often wrongly designated as the EEC's Ruritania. As a highly prosperous and once strategically important pocket sown onto the borders of Belgium, Germany and France (French food in German portions). Luxembourg has probably no equal in its possession of a political punch several times its geographic and popular weight. This is almost entirely due to being a founder member of the EEC.

More tangibly, Luxembourg has also established itself as the EEC's second city and the home of the Community's court of justice, investment bank, audit court, the secretariat for the parliament and of several divisions of the Commission. Euro-salaries have helped boost income per head to a level some two-thirds higher than in the UK. An influx of foreign banks has given the Ducky a new commercial importance.

Russians face worst food shortages for 20 years

BY DAVID SATTER IN MOSCOW

ON THE EVE of the 1980 Olympics, the Soviet Union is experiencing severe shortages of meat and dairy products in what is believed to have become the worst food supply situation in the last 20 years.

Reports from cities all over the country indicate that in many areas meat has disappeared from the state stores, butter is being rationed and milk is frequently unobtainable.

The shortages are thought to have been behind an unprecedented series of Soviet work stoppages reported to have occurred in May at the giant auto plants in Togliatti and Gorky and in June at the Kama River lorry factory. There has also been a fresh one-day walk out at a tractor factory in Chelyabinsk.

The Soviet press has denied reports in western newspapers about the strikes with unusual vehemence. This is taken to be a reflection of the political sensitivity of the subject, given the food supply situation and the possibility that labour unrest could spread.

In the first five months of 1980, Soviet milk production fell 5 per cent, the third consecutive drop in production in the last three years. Butter production fell 8 per cent, as milk supplies were diverted to cheese production to furnish a protein alternative to meat. Meat production rose 2 per cent.

The meat production figure, although an increase, probably represented a sharp drop in output for the months of March, April and May, however. Soviet meat production increased 11 per cent and 13 per cent in the state sector during January and February, two months during which slaughter rates were extraordinarily high, and apparently has been below last year's level ever since.

The 2 per cent increase also does not reflect the situation of private meat production by collective farmers, which accounts for 30 per cent of Soviet consumption and would have been the first area to be damaged by shortages of feedstuffs.

The food situation was reported to be particularly severe in the regions where there have been reports of labour unrest. There was reported to be no meat in the Gorky region, while in Chelyabinsk, milk was said to be available only in the mornings and butter hardly at all.

The shortages are believed to result from a bad silage crop two years in a row, which cut into forage for milk cows, and from last year's grain harvest failure, which when reinforced by the U.S. grain embargo, cut into supplies of feed grain for livestock and forced uneconomical distress slaughtering.

An added factor affecting supplies to ordinary Soviet citizens is the unknown quantity of meat and milk products which are believed to be held in reserve in order to furnish the five Olympic cities—Moscow, Leningrad, Minsk, Kiev and Tallinn—at the time of the Games.

In the last few months, a general picture has emerged of shortages affecting most of the country but particularly provincial industrial cities where workers have no easy access to the countryside.

In Magnitogorsk, an industrial city in the Southern Urals, some families are requesting food parcels from relatives in Moscow. In Arkhangelsk, diplomats report that milk is sometimes sold only by doctor's prescription or to nursing mothers, while in Kazan, a provincial capital, butter is being rationed through a card system on the basis of one kilo per month.

The situation is also said to be very serious in Eastern Siberia. Dissidents who have returned from visiting political exiles report that there has been almost no meat or butter in several cities in Yakutia for over a year.

The shortages have been felt even in Moscow, the best provisioned city in the Soviet Union, where cabbage has disappeared from the markets, carrots are unusually scarce and for the first time in memory, shops are running out of milk.

Western observers believe the Soviet leadership is deeply concerned about the possible consequences of a continued deterioration in the food supply situation. Although at least one Western diplomat has recently been prevented from visiting Togliatti, where there is believed to have been a strike, top Soviet leaders have themselves made a number of visits to the scenes of reported trouble.

Bonn in industrial, economic accord with Moscow

BY JONATHAN CARR IN MOSCOW

WEST GERMANY and the Soviet Union have signed an agreement on long-term industrial and economic co-operation—an accord which could be met with reservations from the U.S. in view of the Soviet intervention in Afghanistan.

While the U.S. has urged its allies to inflict economic punishment on Moscow, for its military action, neither the Federal Republic nor other European countries has been wholeheartedly behind this strategy.

In an apparent effort to allay U.S. fears, Bonn has sought not to emphasise the accord now concluded, which comes during Chancellor Helmut Schmidt's visit here for talks involving world political issues.

Bonn wanted the agreement signed at relatively low level but the Russians appeared to prefer a high-level ceremony. In a banquet speech on Monday, Mr. Leonid Brezhnev, the Soviet leader, publicly underlined the importance the new accord could have—particularly in the context of world economic downturn.

As late as Monday night, the protocol issue remained unresolved but in the event the West German view prevailed. The accord was signed yesterday by Mr. Vladimir Semyonov, the Soviet ambassador to Bonn, and by Herr Hans Georg Wieck, the West German ambassador in Moscow.

The agreement consists of an 11-page section laying down the broad field for development of bilateral co-operation—and four annexes which specify which products or techniques are of particular interest.

One key section says that Bonn and Moscow will work together to develop nuclear power for peaceful purposes, including electricity production. Specific projects are not mentioned.

Other parts of the accord urge co-operation in exploitation of raw materials deposits and natural gas, supply of drilling equipment and other advanced technology machinery, components, calculators, and precision instruments in the electronics sector—as well as an exchange of licences, patents and know-how.

The agreement also urges stronger banking and insurance links, saying both sides will seek to ensure that credit is granted on the most favourable possible terms.

At present the credit issue is an outstanding problem in a proposed DM 20bn (£4.8bn) deal, under which large diameter steel pipes would be delivered to the Soviet Union—mainly by German companies—and the Soviets would provide natural gas in return.

West German-Soviet trade has expanded sharply over the last decade, from a volume of only DM 2.8bn in 1970 to DM 14bn in 1979. Last year Soviet deliveries to Germany were worth DM 7.4bn, an increase of 36 per cent on 1978.

German exports were worth DM 6.6bn, a rise of 5 per cent.

Herr Schmidt: seeking to play down pact

EEC agrees package with Turks

By Our Brussels Staff

AFTER NEGOTIATIONS lasting until four in the morning, the EEC and Turkey yesterday declared their satisfaction with a package designed to renew the latter's economic and political links with the Nine.

The negotiations were the culmination of a joint attempt to revive the 17-year-old association agreement between the EEC and Turkey. This agreemen was designed to pave the way for eventual Turkish membership of the Community but its operation had been frozen by Mr. Bulent Ecevit, predecessor of the present Prime Minister, Mr. Suleyman Demirel.

Although Mr. Heyrettim Erkmen, the Turkish Foreign Minister, re-affirmed Turkey's intention of applying for EEC membership before the end of the year, the Nine are bound to regard yesterday's agreement as an excuse for delaying action on any application by Ankara.

The Nine have limited their financial aid to a five-year package of £228.75m in grants bearing a nominal interest charge and £137.25m of European Investment Bank loans.

This money will start to flow for mutually agreed projects at the end of October next year. It will be in addition to £45.75m the EEC has agreed to spend on technical projects in Turkey over the next two years.

The Nine have also agreed that the 645,000 Turkish workers in the Community should, after three years, have increased rights to change their jobs, and, their children are promised employment opportunities after "vocational training."

A compromise was also found to suit West Germany on the difficult question of free movement of labour but the EEC will now decide by December 1983 whether and how to apply an earlier agreement guaranteeing by December 1986 free access to the EEC for Turks.

On agriculture, Turkey has won the staged removal of all Community tariffs on its products by January 1987.

France blocks industrial safety moves

By Giles Merritt in Brussels

A BITTER wrangle over the responsibilities of EEC member governments when an industrial or nuclear catastrophe occurs on their borders has been provoked by France. It refused yesterday to allow the so-called "Seveso Directive," a set of industrial safety rules drawn up by the Commission to help avoid such disasters as Italy's Seveso explosion, because it would impose strict cross-border co-operation standards.

The directive, due to be adopted by Environment Ministers at the beginning of this week, has now had to be dropped from the Council of Ministers' calendar. All other EEC governments had been willing to accept the rules.

France's lone stand is understood to stem from concern that adoption of the directive would set a precedent for another now being prepared on the question of cross-border nuclear safety procedures. That deals with the need for EEC governments to provide their neighbours with "impact assessments" evaluating the potential damage that their own frontier reactors could cause.

France has a growing number of nuclear installations along the major rivers that form part of its frontiers with Belgium and West Germany.

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OVERSEAS NEWS

South Korea 'will seek further loans'

By David Housego

SOUTH KOREA will be looking to further short-term borrowing rather than running down its foreign exchange reserves to meet a worsening current account deficit, Mr. Kim Woun Gie, the Deputy Prime Minister and Minister for Economic Planning, disclosed in London yesterday.

Earlier Government estimates of a current account deficit of $4.7bn-$5bn for 1980 had been revised upwards to $5.5bn-$6bn, Mr. Kim said.

Mr. Kim is in London at the invitation of Mr. John Nott, Secretary of State for Trade, after attending the annual meeting of the Korean aid consortium held in Paris under World Bank auspices.

The bank, in its confidential report on Korea—the first report since the downturn in the economy and the surfacing of political unrest after President Park's assasination—cautioned that the current account deficit should be held to about $5bn a year during the early 1980s.

Mr. Kim confirmed that Korea would be seeking between $7bn-$8bn a year in gross capital inflows from abroad for 1980 and 1981 of which the Government was looking for $1.5bn-$2bn in syndicated loans.

He indicated that the Government's timing of the proposed loan of $600m for Korea Development Bank would depend on the terms it could get from the market.

The Paris meeting of donor-nations agreed that the substantial target of $7bn-$8bn a year over the next two years in external financing should not pose a problem of debt servicing for South Korea

Tehran water chief taken hostage

BY PATRICK COCKBURN IN TEHRAN

IN THE most significant challenge yet to Government efforts to cut expenditure by wage and salary reductions, 2,000 Tehran Regional Water Authority (TRWA) workers were yesterday occupying their head office building and holding the Director-General hostage.

Workers at the main gate said he had been beaten up.

Cuts in allowances and extra payments to employees have already provoked a resistance at the Abadan refinery and the Iran-Japan Petrochemical complex in the south.

Housing allowances have also been reduced or abolished at the Oil Ministry and some other Ministries, in an effort to cut the state wage bill, estimated at $18bn (£7.7bn) a year.

The 7,000 employees of the Water Authority, including white-collar staff, went on strike and occupied their head office late on Monday night when their overtime and housing and insurance subsidies were abolished. In many cases, take-home pay had been cut by half, they claim.

One worker occupying the office said his monthly pay had been reduced from Rials 50,000 (£301) to Rials 20,000 (£120). "How can I survive on this?" he asked.

Another employee, apparently a cleaner, displayed his latest pay slip which showed his wage had been cut by 50 per cent.

A prolonged strike of water workers in Tehran would be particularly serious since a drought has led to depleted reservoirs, and water rationing is forecast.

One complaint of the strikers is that they have not received a pay rise since the Revolution. In almost all other industries and in agriculture, pay has gone up two or three times since the middle of 1978.

In the last days of the Shah, his Government tried to quell discontent by handing out pay rises of up to 150 per cent. The triumphant Revolution raised wages higher and introduced a minimum wage, now about Rials 15,000.

This has enabled most employees to sustain without hardship an annual inflation rate put at 50 per cent by the International Monetary Fund.

Maximum Government salaries in Tehran have been cut to Rials 200,000 (£1,204) a month, but rumours that the Government planned to pay all salaries above Rials 70,000 a month in the form of national bonds provoked so strong a reaction that the scheme appears to have been abandoned for the moment.

Reuter reports from Tehran: Iranian doctors, outraged by the execution of a colleague, yesterday defied a Government threat and called a one-day work stoppage for today.

Doctors at two Tehran hospitals, where many wore black armbands in the dead man's memory, said they would treat emergency patients so nobody would die. "This is the only way we have to reject what is happening in our country," one doctor at Tehran's 200-bed Mofid Hospital said.

As reports circulated of widespread anger at the execution on June 27 of Dr. Ismail Narimisa, who was found guilty of plotting to free prisoners, the Health Ministry issued a statement forbidding a strike or go-slow "Those responsible for any such action will be dismissed and handed over to the appropriate legal authorities," the Ministry said.

'Alternative budget' split in NZ Opposition

By Kenneth Ovenden in Wellington

A SERIOUS split has developed in the New Zealand opposition Labour Party over publication of an "alternative budget." The row comes on the eve of the Government's budget, due on Thursday.

Mr. Roger Douglas, an *Auckland MP*, a member of the shadow cabinet and a former keen supporter of the party's leader, Mr. Bill Rowling, announced on Friday his intention of issuing an Opposition budget in advance of the Government.

He did this apparently without consulting his shadow Cabinet colleagues, and Mr. Rowling, angered by the unilateral action, dismissed him from the Opposition front bench.

Mr Douglas' Budget included proposals to cut corporation taxes, abolish death duties, and reduce income tax by 35 per cent. The resulting loss of revenue was to be made up by indirect taxation.

But the internal party row has taken on a deeper meaning. Mr Rowling's action in dismissing Mr Douglas precipitated a debate at a party leadership meeting on Saturday, which reaffirmed "its full support for the leadership of Bill Rowling."

But the party caucus will return to the issue of the leadership when it meets on Thursday. Some MPs feel that Mr Rowling should have consulted more party members before dismissing Mr Douglas.

The attention of the party is being concentrated increasingly on the fact that the next election is only 16 months away.

Purge bites deep into Iran's officialdom

BY OUR TEHRAN CORRESPONDENT

AS A sweeping purge of all parts of government gets under way in Iran, Ayatollah Khomeini, the revolutionary leader, yesterday renewed his demand that all Ministries and universities be immediately cleansed of all remnants of the Shah's regime.

Some 700 people have already been purged from the Oil Ministry, which includes the National Iranian Oil Company, in charge of Iran's crucial oil exports.

Most are thought to be office workers or middle management officials.

Purge committees in each Ministry seem to vie with each other in displaying their revolutionary zeal by announcing the day's highest total of dismissals. Yesterday, 340 were expelled from the Post Office, 235 from Roads and Transport, and 35 from Radio and Television.

Ayatollah Khomeini, speaking to representatives of the militant Islamic Societies from the educational institutes yesterday, attacked the universities as the training ground for the Shah's administrators and centres of western influence.

Despite this, he said, the educational system had not proved capable of turning out Iranian doctors who can treat ordinary diseases.

The present purge is bound to hit the middle class, particularly those educated in the West, who have generally supported President Abol-Hassan Bani-Sadr. Over the weekend, he said that changes were needed in government organisation, not wide-ranging dismissals.

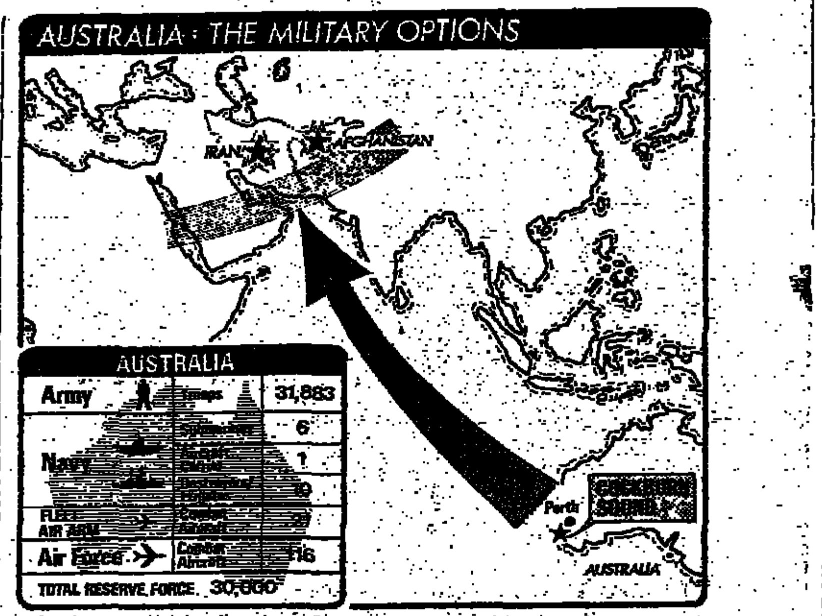
President Bani-Sadr's support *is being peeled away like layers from an onion*, one diplomat commented yesterday.

His inability to defend his supporters is bound further to reduce his dwindling influence, thus benefitting the fundamentalist clergy of the Islamic Republican Party with who he has been *battling for power*.

Reasons given for individual dismissals are usually a connection with the Shah's régime, or more specifically with Savak, his secret police. In reality, a political struggle is being fought out between President Bani-Sadr's supporters and those of the Islamic Republican Party.

The purge is also helping to perpetuate the polarities of government hwich it is designed to end. "You reach an agreement with an Iranian official, but before signing it, he is dismissed. So you have to start all over again," one foreign businessman said.

A secondary motive for the purge, *insofar as the Ministires* are concerned, is that under the Shah the bureaucracy had swollen well beyond the present needs of government.



Australia starts a pre-election recruiting drive

BY PATRICIA NEWBY IN CANBERRA

A NATIONWIDE television advertising campaign costing A$3m (£1.5m) will be launched by the Australian Government in the next few weeks, in an attempt to raise the number of Army reserves from 22,000 to 30,000 over the next 12 months.

After the invasion of Afghanistan and with instability continuing in the Middle East, patriotism and defence are *issues which* Mr. Malcolm Fraser, the Australian Prime Minister, hopes to exploit in the build-up to this year's federal election.

Australia's comparatively small population (14m), and relatively few servicemen (less than 80,000), makes defence of such a large country by manpower virtually impossible. Defence planning hinges on so-called forward defence. Australia, either alone or with allies, should be in a position to fight for its interests away from Australia. Defence policy generally tends to concentrate on protection of sea routes to Australia by submarines and aircraft.

Defence planners generally recognise that Australia would not be able to win a war on its own territory with such a small fighting force.

Opinion polls show that Australians favour increased defence expenditure, and only last week Mr. Fraser was able to deny the state premiers more funds for health, housing, education and welfare, on the grounds that defence needs more money.

Although the Labor Party Opposition supports increased defence spending, it is unlikely to win votes on the issue. Voters anxious about defence see the conservative parties as more likely to deliver the goods.

Labor is concentrating on a package of measures under the umbrella of "family living standards." These include ambitious manpower programmes to alleviate unemployment, more Government-funded health care, a year's freeze on oil prices, higher family allowances and *welfare payments, and chances* to benefit lower and middle-income groups.

The Liberal Party acknowledges it is most vulnerable on such issues as inflation, unemployment, rising health costs and oil pricing policy.

By making national security an issue, the Government hopes to divert voters' attention. Although 11 per cent inflation and 6 per cent unemployment are not high by world standards, opinion polls show that more than 70 per cent of Australians believe Mr. Fraser's Government *has had enough* time over the past five years to right the economy of what is basically a very rich country.

The campaign to increase the Army reserves is designed to have maximum impact on a rather old-fashioned electorate, which sees manpower as the key to better defence.

Television advertisements aimed at the soldier in every man will nightly reinforce the message that the Liberal-National Country Party Government is doing something about defence.

The cost of salaries and equipment for the increased force in the financial year which began yesterday will be A$25m (£12.5m)—cheap considering its electoral impact and the cost of defence equipment like submarines and aircraft. The cost of the reserves for all three services in 1979-80 was A$76m.

Despite the propaganda, there is no doubt that Mr. Fraser's Government is seriously committed to improving Australia's defence.

Later this year, an order will be placed for 75 tactical fighters to replace Australia's Mirage squadrons. Before Afghanistan only 50 were to be bought. Four, rather than three, frigates are to be bought, and army equipment will be substantially upgraded.

But by far the most significant and controversial defence move is Australia's offer to the U.S. of Cockburn Sound naval base, in Western Australia, as a home port for U.S. aircraft carriers, support ships, and possibly nuclear submarines.

A U.S. naval task force visited Australia recently to assess the relative costs and merits of an Indian Ocean home port at the base, 20 miles south of Perth.

Other sites being considered are Kyushu in Japan, Guam in the North Pacific, and possibly the Palau Islands, north of New Guinea. Cockburn Sound is about 160 kilometres closer to the Gulf than Subic Bay in the Philippines, where the U.S. has a substantial naval base.

U.S. officials say the advantages of Cockburn Sound are Australia's political stability, the proximity of a skilled workforce, its position west of the narrow passages between Australia and *the Malayan peninsula*, and the social amenities of Perth, with its population of 750,000.

Australia has offered to "participate" in the cost of upgrading facilities at Cockburn Sound. No figures have been made public, but it is expected that several million dollars would be needed for ports and airfields.

Australia expects no decision on the base until after the presidential elections. But regardless of what the U.S. decides, the offer itself marks a distinct change in Australian defence and foreign policy.

The Western Australian Government of Sir Charles Court favours the project because of the increased defence of Western Australia, which has always felt vulnerable, and the stimulation to the stagnant Western Australian economy which would *result from the upgraded facilities* and the basing of possibly up to 10,000 Americans near Perth.

On the other hand, there is a deep-seated suspicion in the Australian community of American foreign and defence policy since the Vietnam War, and making defence a big issue for the election, which must be held within the next six months, Mr. Fraser risks a rebound from the electorate over Cockburn Sound.

Michael Holman, recently in Dar es-Salaam, examines a critical report on the 'ujaa'ma' programme

Why Tanzania's Socialist experiment is failing to work

A PEASANT woman who farms in central Tanzania has to walk 400 miles to take her harvest home—not because she lives that far from her acre of land, but because she has to make 40 separate 10-mile journeys to carry her total crop.

It was hardly surprising that she complained of her lot to Prof. Rene Dumont, the French agronomist studying, at the Government's request, the success or otherwise of Tanzania's socialist "ujaa'ma" programme.

In a still unpublished critical report, Prof. Dumont quotes the example to illustrate the poor planning which often characterises the programme, under which some 13m people are being regrouped into 8,000 villages.

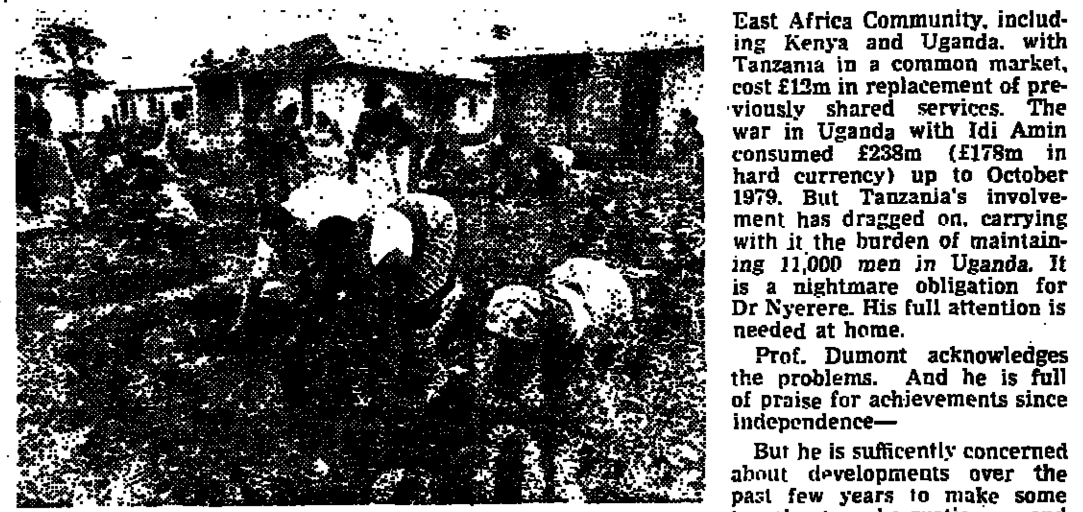
That programme is the cornerstone of "ujaa'ma," and while Prof. Dumont, a lifelong socialist, praises Tanzania for *its socialist* objectives, other observers in Tanzania believe the country is experiencing its most severe economic crisis since independence in 1961.

Immediate problems were highlighted by last month's budget. Foreign reserves are virtually exhausted, with arrears in import payments, estimated at some £86m, stretching back nine months or more. The estimated balance-of-payments deficit is over £200m, with export crops—which account for most foreign earnings—for the *most part falling. Import* licences have been drastically cut over the last year, resulting in a growing shortage of imported raw materials and spares, falling manufacturing output, and shortages of basic commodities. Meanwhile, and only partly because of drought in the last growing season, Tanzania is having to import large quantities of food. It is apparently increasingly unable to grow enough to keep pace with its alarming 3 per cent a year population increase.

Underlyin the difficulties, and *contributing to them, are* serious structural problems. Prof. Dumant and others single out the inefficiency of the transport system, and the growth of a costly bureaucracy insentisive to peasants' needs.

Perhaps most crucial of all, Prof. Dumont points to the adverse impact on soil conservation and agricultural production of the "villagisation" programme.

Similar problems in many other African countries are shrugged off by outsiders as the norm. But Tanzania, one of the world's poorest states attracts special interest for two main reasons. It is one of Africa's largest aid recipients, receiving some $600m last year. Two thirds of the development budget is externally funded. Thus, if things are going wrong, donor countries might feel some degree of responsibility.



Women working in a vegetable garden which serves 80 families in the Kilondoni district of Dar-es-Salaam

Second, President Julius Nyerere is one of the Thrid World's most articulate and persuasive participants in the "North-South" debate, between the industrialised northern states and the developing south, and a leading member of the Group of 77 ("the trade union of the poor," he has dubbed it). If he cannot preside over a successful socialist economy, who in Africa can?

Tanzanian economists argue forcefully that much of what has happened has been outside their control. Prof. Kighoma Malima, Minister of State for Planning and Economic Affairs, calculates that oil imports took 10 per cent of Tanzania's export earnings in 1972: "in 1980, a reduced quantity of oil imports will account for about 45 per cent of export earnings."

The breakup in 1972 of the East Africa Community, including Kenya and Uganda, with Tanzania in a common market, cost £12m in replacement of previously shared services. The war in Uganda with Idi Amin consumed £238m (£178m in hard currency) up to October 1979. But Tanzania's involvement has dragged on, carrying with it the burden of maintain*ing 11,000 men in Uganda*. It is a nightmare obligation for Dr Nyerere. His full attention is needed at home.

Prof. Dumont acknowledges the problems. And he is full of praise for achievements since independence—

But he is sufficently concerned about developments over the past few years to make some trenchant observations and issue urgent warnings. The villagisation programme, which saw a massive shift in population between 1973 and 1976, was "made in a hurry, often *without consulting the peasants*, without planning, without taking account of agricultural consequences."

"In spite of social improvements (water, schools) the agricultural consequences have been, and are still now, overlooked and neglected."

Prof. Dumont reserves some of his sharpest comments for Tanzania's 300 or more "parastatals" which dominate the economy. "Parastatals we have seen are overstaffed, with too many overheads." The National Milling Corporation, which has a monopoly of grain purchases and plays a key role in agriculture, "is not equipped enough and above all not well enough managed." Thus, in many villages, "peasants complain that the corporation comes too late, without enough money to buy all available goods, and not enough vehicles to carry them."

State farms, Prof. Dumont argues, need to be "more carefully planned, managed and implemented." He cites the poor record of state-owned sisal estates compared to the private producers: "It is easy to nationalise but much more difficult to maintain or improve production."

One of Prof. Dumont's main concerns is the spread of a costly, elitist bureaucracy—the civil service, parastatals and the ruling Chama Cha Mapinduzi party. "Rural development has been thought and superimposed from above—from town, regional authorities, parastatals, the party, government, intelligentsia, or even from outside the country by aid donors." The bureaucrats, he complains, tend to instruct the peasants rather than hold a dialogue: "To push peasants against their will to a collective way will never give good results."

Gulf insurance pact signed

THIRTY-ONE Gulf insurance and reinsurance companies yesterday signed in Kuwait the final agreement forming the "Arab War Risks Insurance Syndicate"—the Arab answer to Lloyd's decision last year to declare the Gulf a war risk zone.

The syndicate, which will handle only war, strikes, riots and civil commotion coverage, will begin operations on January 1 next year. It will be based in Baghdad under the supervision of the Iraq Reinsurance Company.

Company representatives yesterday also elected a technical committee with executive power over the syndicate. This committee will decide rates.

Members are: Mr. Muwafak Ridha, general manager of the National Insurance Company of Iraq; Mr. Wasif Jabsheh, general manager of Abu Dhabi National Insurance Company; Dr. Mustafa Rajab, chairman of Iraq Reinsurance Company; Dr. Raouf Makar, general manager of Al-Ahliya Insurance Company of Kuwait; and Mr. Ahmed Hussein Abu Al-Ila, general manager of Red Sea Insurance Company, of Saudi Arabia.

Dr. Rajab will, in effect, be general manager of the syndicate.

According to Mr. Jabsheh, the participating companies will put up funds to facilitate syndicate operations when it first gets started. The amount, however, has not been set yet.

June 1980

This announcement appears as a matter of record only

KINGDOM OF SWEDEN

DM 500,000,000

Long Term Loan at a fixed rate of interest

WESTDEUTSCHE LANDESBANK GIROZENTRALE

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DEUTSCHE GIROZENTRALE – DEUTSCHE KOMMUNALBANK –

HESSISCHE LANDESBANK – GIROZENTRALE –

LANDESBANK RHEINLAND-PFALZ – GIROZENTRALE –

NORDDEUTSCHE LANDESBANK GIROZENTRALE

BADISCHE KOMMUNALE LANDESBANK – GIROZENTRALE –

HAMBURGISCHE LANDESBANK – GIROZENTRALE –

LANDESBANK SCHLESWIG-HOLSTEIN GIROZENTRALE

WÜRTTEMBERGISCHE KOMMUNALE LANDESBANK GIROZENTRALE

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Annual Coupons 15th July

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Bank Mees & Hope NV

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Swiss Bank Corporation (Overseas) Limited

June, 1980

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1980.

Mercedes 200	£8394
Ford Granada 2·3GL	£8023
Rover 2300	£6904
Audi 100L 5S	£6690
Renault 20TS	£6668
Volvo 244DL	**£6274**

1984.

Let's assume the year is now 1984.

Four years ago you bought a new Volvo 244DL. At the time it seemed a pretty good bet.

In terms of performance and space there was little to choose between the Volvo and its rivals, give or take a few seconds and inches.

In terms of equipment the Volvo couldn't be faulted; headlamp wash-wipers, a tachometer, a heated driver's seat and 4 inertia-reel seat belts all came as standard.

And the Volvo did cost substantially less.

Looking back to 1980, do you still believe you made the right choice?

Well, if all the surveys by motoring magazines and consumer organisations hold true, you will have no regrets.

Time and time again the Volvo has come out as having fewer breakdowns than the average car, fewer major faults and fewer days off the road.

Or to put it another way, less expense for the Volvo owner.

So even if Orwell's vision of 1984 has become fact, at least you'll have one thing to smile about.

AND BEYOND.

Many a car begins to show its age after 4 or 5 years' hard use.

Yet at this point a Volvo isn't even approaching middle age, let alone retirement. Statistics compiled by the Swedish Government show that Volvos last longer than any other car tested, giving an average of 17·9 years' service before that final journey to the scrapyard.*

Obviously we're not suggesting you keep your Volvo this length of time.

But we are pointing out that their reliability and durability is well-known amongst those looking for a second-hand car.

Consequently, used Volvos tend to fetch a very good price indeed.

And there's nothing like a big cheque to soften the blow of parting with a car that's given you so much faithful service over the years.

VOLVO. A CAR WITH STANDARDS.

(PRICES ARE FOR MANUAL VERSIONS INCLUDING CAR TAX & VAT AT THE CURRENT RATE.) FOR THE 1980 EDITION OF 'VOLVO FACTS,' WRITE TO: DEPT. FT24, VOLVO CONCESSIONAIRES LTD, LONDON W13 9JQ. PRICES FOR THE NEW 1980 200 SERIES START FROM £6274- (DELIVERY & NUMBER PLATES EXTRA). ALL PRICES CORRECT AT TIME OF GOING TO PRESS. SALES TEL: HIGH WYCOMBE (0494) 33444. SERVICE TEL: IPSWICH (0473) 72026. PARTS TEL: CRICK (0788) 823511. *SOURCE: SWEDISH MOTOR VEHICLE INSPECTION CO. 1978.

Last minute talks on New York strike

By David Lascelles in New York

LAST-MINUTE talks were going on here yesterday to avert a threatened walk-out tomorrow by the city's 42,000 uniformed employees.

The strike was called by New York's policemen, firemen, sanitation workers and correction officers at a noisy meeting on Monday night following the breakdown of talks over a new two-year pay contract.

Unions representing the uniformed employees are demanding 10 per cent a year plus 2 per cent to compensate them for the risks of the job. The city has offered 8 per per cent, the same as it gave its civilian employees two weeks ago.

Uniformed employees are in a militant mood following recent police shootings and firemen injuries. But the city has also taken a firm stand against excessive pay increases in its effort to bridge the potential $1bn budget deficit in 1981, and heal its tattered finances.

A crunch is also looming in Detroit, where pay talks broke down before last night's midnight deadline. The city has warned it has no money left to give. But with the Republican convention due to start there in a fortnight, it may be pressed into a settlement.

Meanwhile copper workers started a nationwide strike yesterday after their pay talks broke down last Saturday over cost-of-living clauses. The walk-out involves 39,000 workers. Strikes have become something of a ritual in the copper industry's biennial pay talks, and it was expected that the present dispute would be resolved before long.

Anderson declares independent candidacy

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

Congressman John Anderson . . . common sense, common decency and plain dealing

CONGRESSMAN John Anderson made his independent candidacy for the Presidency of the U.S. official, saying that he believed he had a real chance of winning in November.

In a formal announcement, the 20-year Republican Congressman from Illinois agreed that his campaign had profited "from the widespread belief that neither the Republican nor the Democratic nominee is competent to deal with the nation's problems.

"But," he went on, "I cannot ask Americans to vote for me simply because they dislike the other candidates." His prescription, he said, was "no quick fix solutions" and "no grand ideologies," but instead "common sense in economics, common decency in human rights and plain dealing in government."

In taking the independent route, Mr. Anderson is treading where nobody has succeeded this century, even the potent likes of Theodore Roosevelt in 1912, Robert Lafollette in 1924 and George Wallace in 1968—in spite of apparently strong appeal in each case in the early stages of the race.

Mr. Anderson admitted yesterday that he had been encouraged by polls which generally give him about 20 per cent of the national vote and specifically higher proportions in some key states. One recent Louis Harris poll, as he noted, concluded that "under certain conditions" he could even carry the 10 largest states in the country.

Mr. Anderson's goal is to raise $15m to wage the presidential campaign: he is not entitled to the $29m apiece in federal funds that the two main party nominees will receive, though if he scores more than 5 per cent of the vote in November he will be reimbursed. He has already raised $3m in small contributions.

But his relative poverty means that his effort has to focus on those states where he has the best chance at the expense of a truly nationwide campaign. Thus, while in effect writing off much of the south (Florida, perhaps, excepted) and southwest and mountain states, he will concentrate, in order of preference, on the northeast, the far west, and, depending on subsequent analysis, on some states in the midwest.

A particular problem is getting on the ballot in all 50 states, plus the District of Columbia. At present, Mr. Anderson has got enough signatures to meet filing requirements in 14 states and has petitions under way in another 22: the other 15 have laws which do no tpermit canvassing for the ballot until later in the year.

In at least half a dozen states, Mr. Anderson is mounting legal challenges to local rules that appear to make it impossible to appear on the ballot. In a controversial tactical decision, the national Democratic Party is devoting funds to the drive to keep Mr. Anderson off the ballot, since it believes, as do most other political analysts, that the Anderson factor will hurt President Jimmy Carter more than Mr. Ronald Reagan in the November election.

The Carter Administration is also said to be exerting diplomatic pressure on the European allies to ensure that Mr. Anderson does not meet European Heads of State when he embarks on a two-week foreign familiarisation tour next week.

Mr. Anderson denied knowledge of such an attempt, though he added that, if true, it was unconscionable. As it stands, he is to travel first to the Middle East to see President Sadat of Egypt and Prime Minister Begin of Israel (if he has recovered from his latest heart ailment) and then to Europe, where an appointment with Mrs. Thatcher and Lord Carrington has already been arranged for July 17. A British embassy official here said he was unaware of any pressure from the Administration

Meanwhile two other independent candidates have also been doing the Washington rounds this week—Mr. Ed Clark of the California-based Libertarian Party and Mr. Barry Commoner of the Citizens Party

Sioux win in replay of Little Big Horn battle

By David Buchan in Washington

GENERAL CUSTER might well turn in his grave at this week's Supreme Court decision ordering the Federal Government to pay the Sioux Indians $122m as compensation for the seizure of the Black Hills of South Dakota in 1877.

It is the largest Indian land compensation award in the U.S. and could set a legal standard in cases brought by other American Indian tribes seeking compensation for lost lands.

The U.S. government did not contest a claims court ruling last year that the Sioux lands reserved in a 1868 treaty were worth $17.5m in 1877, when they were seized after the Battle of Little Big Horn and under pressure from white miners eager to prospect the gold lodes of the Black Hills.

But the Supreme Court Justices, by eight to one, rejected the Government argument that this amount, coupled with some food given the Sioux in the 19th century, was adequate compensation. In addition, the Court has ordered the Government to pay $105m in unpaid interest, calculated as the 5 per cent compound annual interest on $17.5m over 103 years.

Whatever the import of this ruling for other Indian claim cases, its effect is not clear for the Sioux who have been arguing among themselves since the case was started in the 1920s whether to take the money or press for the return of the land. The Black Hills is now a major tourist area with the Mount Rushmore rock sculptures of past white U.S. presidents.

Only one of the eight Sioux tribes, the Standing Rock tribe, has formally decided to take compensation in money. Following this week's ruling, the U.S. Treasury has said it will place the money in interest-bearing accounts until the question of exactly who is entitled to the award is settled.

Threat and counter-threat in Canada's energy poker game

BY JIM RUSK IN OTTAWA

MR. PIERRE TRUDEAU, the Canadian Prime Minister, is playing a multi-billion dollar poker game with Mr. Peter Lougheed, the stubborn Premier of the oil-rich province of Alberta.

At stake is the domestic price of oil in Canada and how it is to be divided between Ottawa, the Governments of the producing provinces and the producers themselves.

The contest has been going on since Mr. Trudeau was returned to power at the head of a Liberal Government in February. So far it has been played out by the two energy ministers, Mr. Marc Lalonde for Mr. Trudeau, and Mr. Merv Leitch for Alberta. They gave up after three meetings.

A meeting between Mr. Trudeau and Mr. Lougheed has been arranged for mid-July. Mr. Leitch has said wryly that this did not mean there was a prospect of agreement, but any decision to walk out would best be left to Mr. Lougheed himself.

Under an agreement running out at the end of July, the wellhead price of oil in Canada is C$14.75 (about $12.80) a barrel, and the price of imported oil is subsidised down to that level. With imports now averaging C$38 a barrel, that costs the Ottawa treasury something like C$3.5bn a year.

The Progressive Conservative Government of Mr. Joe Clark, in power in Ottawa from May 1979 until last February, had decided to let the Canadian price move fairly quickly towards 85 per cent of world level to encourage conservation, save subsidies, and satisfy the producing provinces. A parallel development was envisaged for natural gas.

Under that agreement, the producing provinces stood to realise extra income of C$40bn until mid-1984, and Ottawa stood to gain C$27.5bn. Mr. Lougheed has vowed he will not settle for anything less

Under the constitution, Alberta has control over its own oil. But Ottawa claims competence over it once it is shipped to other provinces or abroad. That division of powers, so far, has always forced the parties to compromise.

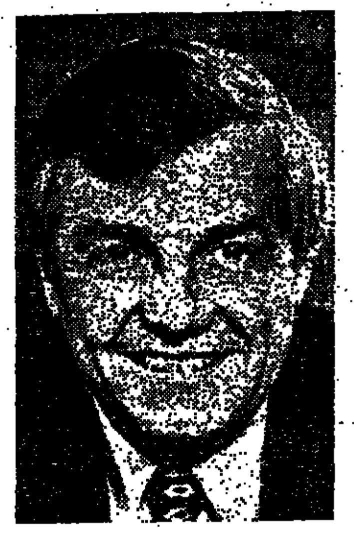
But this time Mr. Lougheed has threatened to play rough. He is taking powers to order a cutback of production in his province, which accounts for 90 per cent of Canada's hydrocarbon production, if a cut should be in the public interest.

If Mr. Lougheed makes good the implicit threat, it would add greatly to the difficulties of the federal Government. Mr. Trudeau was returned to power on the implicit promise of an oil price significantly below world levels. His ministers have been speaking of a "blended" price, without defining precisely what that means. The implication is a price arrived at by combining the price of imported oil with a notional figure for the cost of producing oil at home.

Mr. Trudeau is under additional pressure because he wants to make a serious effort at constitutional reform this autumn, and can ill afford to spoil the climate by a serious row with Mr. Lougheed and the premiers of the other oil and gas-producing provinces.

The aces, however, are not all with Mr. Lougheed. Alberta has been labouring under a surplus of natural gas which it wants to export to the U.S. in addition to existing export contracts. Ottawa, if it wished, could veto such exports. One school of though in Ottawa believes the surplus gas should be shut in until the pipelines are extended beyond Montreal to supply Canadian domestic gas to eastern Quebec and, ultimately, the Maritime Provinces.

A single meeting is unlikely to resolve the conflict between Mr. Lougheed's refusal, as he would put it, to continue heavy subsidies to eastern Canada, and Mr. Trudeau's wish to keep down energy prices in the interests of consumers and to the competitiveness of Canadian manufacturers. A second meeting is likely to be called before the end of July deadline.



Mr. Peter Lougheed: playing rough

Annual report 1979

SHV Holdings nv

The Netherlands

Net profit £ 26 million

Turnover exceeds Dfl. 10,000 million-mark

SHV is an international group operating in distribution and service industries with a continuing policy of international growth. It is one of the 10 largest trading companies in Western Europe.

The main sectors of the business are:
- Energy, transport and trade in raw materials
- Technical services
- Wholesale and retail trade in food and consumer goods.

Key points from Annual Report 1979:
- In the year under review, turnover increased to more than £ 2,300 million, while operating profit was higher than in previous years. The same applies to net profit, which amounted this year to £25 million.
- 1979 was marked by a study of the possibilities for expansion of existing activities, and a careful consideration of the role and position of the Company in the 1980s. During the financial year, only a limited investment programme was executed, but a number of steps were taken in the organizational area in order to be better prepared for the future. Within this framework, the relationships with the Company's major joint venture partners were also the subject of study.
- With effect from 1 January 1980, all Company activities in North America have been brought together in a single organization, the group SHV North America. This group will also include Makro USA, which will commence operations in 1980.
- In 1979, investments in fixed assets (net of disposals) amounted to £ 17 million.
- The growth in turnover was achieved with no increase in stocks and receivables, and the liquidity position was further strengthened.

Expectation for 1980:
In 1980, we expect a net profit in excess of £ 23 million.

Activities in the U.K.:
Turnover in the United Kingdom amounted to £ 232 million and the number of employees was approximately 3.300.

Energy and Transport
The shipping and coal trading activities in the U.K. form part of SHV's international involvement in all aspects of shipping and coal trading. The U.K. activities are coal trading, bunker and oil cargo brokers, chartering (dry cargo and tanker chartering), shipping and forwarding agents.

Self Service Wholesale Trade: Makro
The organization in Great Britain experienced a very good year, and profits reached a level that was comparable to that of Holland or Belgium. This good result was achieved in spite of stiff competition from specialized discounters in both the food and the non-food sectors. The construction of the 9th branch - Sheffield - is proceeding according to plan, and this store will open in March 1981.

Summary of annual report (in £ million) consolidated balance sheet		1979		1978
fixed assets		304		303
current assets	512		477	
current liabilities	387		363	
		125		114
		429		417
net assets				
other long term liabilities		153		166
guarantee funds		276		251
This consists of:				
share capital and reserves including outside shareholders' interests in consolidated subsidiaries		180		174
provisions		71		51
subordinated long term debts		25		26
		276		251
key figures from the consolidated P & L account				
turnover		2,393.4		2,150.0
profit after taxation		25.6		9.0
cash flow		44.2		32.5
return on shareholders' funds including third parties' interests		18%		9%
analysis of sales (in %):				
geographical				
in the Netherlands		32		34
in the rest of the EEC		46		43
in the rest of the world		22		23
		100%		100%
divisional				
Energy, transport and trade in raw materials		33		29
Technical services		11		10
Wholesale and retail trade in food and consumer goods		56		61
		100%		100%
analysis of operational profit divisional (in %):				
Energy, transport and raw materials trading		32		29
Technical services		3		9
Wholesale and retail trade in food and consumer goods		65		62
		100%		100%

31-12-1978 Dfl. 4.00=£ 1.00
31-12-1979 Dfl. 4.23=£ 1.00

The annual report 1979 (in English, German or Dutch) can be obtained on request from:
SHV (United Kingdom) Holding Co. Ltd.,
Three Quays, Tower Hill, London EC3R 6 DH
Telephone (01) 626 91 26

SHV Holdings nv
1 Rijnkade, Utrecht
The Netherlands

SHV

Heatwaves, drought hit U.S. and Mexico

By David Buchan in Washington

SOUTH WESTERN states were yesterday still suffering the worst heat wave for a generation, with several dozen deaths attributed to the temperatures and severe damage to the region's agricultural economy.

No rain is in prospect to dampen the forest fires that have broken out in Colorado and Arizona, the weather service has reported. A total of 36,000 acres have been blackened in the two states, while generally crops have withered. In Arkansas a major industry has been hit, as millions of chickens have died in their coops.

Most Texas cities and towns have reported temperatures of over 100 degrees for the past week, with the mercury rising to 117 in Wichita Falls on one day and Dallas recording two successive days of a high of 113. The U.S. southwest is not the only area of the continent to be heat struck this summer: a prolonged drought in the Canadian prairies is reported to be jeopardising much of that region's larger crop yields.

William Chislett adds from Mexico City: Mexico is facing its worst agricultural crisis in a decade as a result of a severe drought in the north of the country. Food production is falling to such an extent that imports of cereals could be as high as 10m tonnes this year compared with 3.7m tonnes in 1979. Dams for irrigated crops are at a very low level.

Millions of Mexicans in the countryside are living at subsistence level. According to the country's development plan 233bn pesos ($10.3bn) of Mexico's oil revenue for the next three years will be spent on developing agriculture, which employs 40 per cent of the work force but produces only 8 per cent of the GDP.

Mexico's 3 per cent annual birth rate means that every year there are 2m new mouths to feed. Last year the volume of agricultural production fell by 9 per cent over 1978 and this year because of the drought and inefficient use of land, the situation will be a lot worse.

Mexican authorities have blamed the drought on the U.S. The country's weather bureau claims that the U.S. has been seeding hurricanes headed for Mexico. The U.S. embassy recently stated that the U.S. National Oceanographic and Atmospheric Administration does carry out experiments with hurricanes but that none of the hurricanes affected Mexico.

Toyobo profit

TOYOBO, the Japanese company, has announced that its parent company net profit in the fiscal year ended April 30 rose 45.4 per cent to Y3.29bn ($15m) from Y2.26bn in 1978-1979. Sales gained 15.2 per cent to Y247.57bn ($1.1bn) from Y214.92bn.

The gains were attributed by the company mainly to the recovery in the domestic textile market and an increase in exports associated with the yen's depreciation.

Exports were Y21.9bn, against Y17.3bn earlier.

Trucking deregulated

BY OUR WASHINGTON CORRESPONDENT

PRESIDENT JIMMY CARTER yesterday signed a law phasing out much Government regulation of the multi-billion dollar U.S. trucking industry, and paid a compliment to one of the legislation's chief sponsors, Senator Edward Kennedy, who has not

At a White House ceremony, Mr. Carter said the new law, which restricts rate-fixing, gives companies greater freedom to enter the interstate trucking industry, and more leeway in setting routes, could save consumers up to $8bn a year.

The President noted that no other country depended so much on road transport "for its economic life's blood." Truck deregulation follows similar moves in airlines two years ago, and is a model for railway reform now being studied in Congress.

Referring to Senator Kennedy, who attended the signing ceremony, Mr. Carter went on: "There's one person who has worked on this legislation for at least two years, sometimes alone, sometimes facing discouragement, but never giving up on the concept." It almost sounded like the Carter White House View of the Senator's Presidential bid.

More arrests in Jamaica plot

FOUR more members of the army have been charged with being party to a conspiracy to topple the government of Prime Minister Michael Manley, bringing to 30 the number of soldiers and civilians arrested so far, Canute James reports from Kingston.

An army spokesman says there are likely to be more arrests of soldiers and civilians over the next few days as investigations continue. The first arrests were made ten days ago.

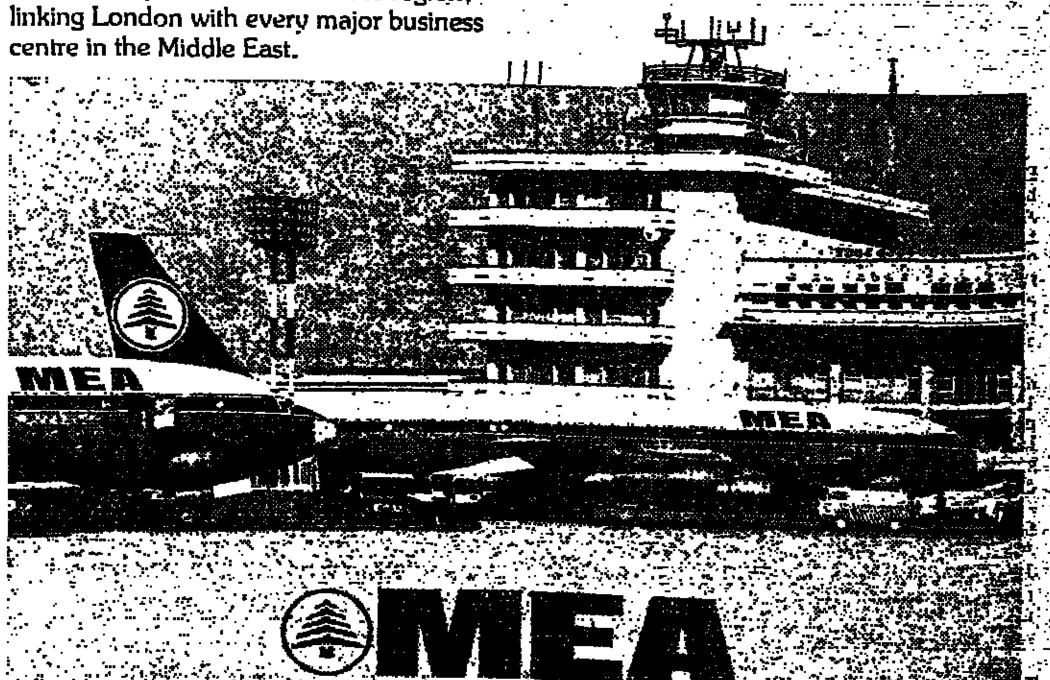
During the past year 35 international airlines have brought 268,000 transit passengers through Beirut Airport

Beirut has one of the busiest airports in the Middle East. The past year has seen a considerable increase in passenger traffic through Beirut and MEA has made a major contribution to this growth.

Situated seven miles from the city centre, Beirut Airport is the crossroads for air traffic between Europe and the Middle East. And it is the home of MEA, one of the most important airlines in the region, linking London with every major business centre in the Middle East.

MEA offers travellers a good deal — convenient departure times, comfortable transit facilities at Beirut and a standard of service that makes every flight an enjoyable one.

For more information contact your IATA agent or MEA, 80 Piccadilly, London W1V 0DR, telephone 01-493 5681



MEA the Middle East airline

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Japan agrees interest rate for Soviet pipe contract

BY RICHARD C. HANSON IN TOKYO

THE EXPORT and Import Bank of Japan and Soviet trade officials have finally settled on the interest rate to be charged on the equivalent of $350m in yen credits to finance shipments of large-diameter pipe this year.

Talks on the price of the steel pipe, however, continued yesterday without agreement between Mr. Victor Ivanov, Soviet Vice-Minister for Trade, and the four companies supplying the pipe, led by Nippon Steel.

The agreement on the interest rate was reached barely in time to meet the expiration date yesterday of the old OECD guidelines on rates which should be charged on official trade financing. Under the new guidelines the Soviet Union, qualifying as a "medium" developed country, should pay a minimum annual rate of 8 per cent, up from 7.25 per cent.

The terms of such financing are not disclosed publicly, but the interest rate agreed to after considerable hard bargaining was reportedly slightly below a 7.275 per cent rate on a similar Eximbank credit last year.

The interest rate represents a "blend" of the official and commercial rates being charged. Normally, the Eximbank provides about 60 per cent of the funds while private banks make up the rest at higher commercial rates.

Negotiations in Moscow earlier this spring broke down over the question of interest rates and the price of steel. The Russians apparently were trying to force lower rates in view of better lower terms won on "private" financing of large pipe imports from eWst Germany. They were also upset over the rise in the value of the yen in recent weeks, which makes the pipe—in dollar values—more expensive. The price issue is expected to be solved later this week.

Japan plans to ship about 750,000 tonnes of pipe during the fiscal year which began in April to be used in a Siberian natural gas project.

Mr. Ivanov is the highest ranking Soviet trade official to visit Japan since the Afghanistan invasion prompted the U.S. and others to invoke sanctions, which delayed talks on the pipe exports. The Eximbank was given the go-ahead earlier this spring to extend financing for the contract, partly because similar transactions were being carried on by other Western European countries.

The urgency of Mr. Ivanov's arrival last week became apparent as the deadline for the cheaper financing under old OECD guidelines approached.

Portugal withdraws backing for TriStar loan

By Jimmy Burns in Lisbon

AIR PORTUGAL's national airlines has again halted conditional orders worth $300m for five Lockheed TriStar 1011's. The purchase would have been covered largely by a syndicated loan believed managed by Chase Manhattan and National Westminster Bank, as well as special credits from the U.S. Export-Import Bank. But the Portuguese Government has withdrawn its backing for the loan because of the airline's financial situation.

Air Portugal recorded losses of Esc 2¾3bn (£20m) in 1979 and has been recently crippled by a prolonged strike. The airline's pilot's union yesterday voted to continue a week-long strike indefinitely and extended their industrial action to cover the tourist islands of the Azores and Madeira. The dispute has been costing the airline an estimated Esc 32.5m (£283,718) in lost revenue daily.

This is the second time this year that the Government has halted Air Portugal's negotiations with Lockheed because of the airline's financial difficulties. Last February the Government stopped Air Portugal's expansion plans until management agreed to present a recovery plan capable of putting the airline's losses into the black by 1985. Negotiations on the TriStars were resumed last month after the Finance Ministry endorsed a financial restructuring scheme.

The latest postponement is a serious blow to Air Portugal which has been negotiating the deal for nearly one year. The Portuguese Government is expected to meet later this week to decide on the future of the company, having warned that it might temporarily close it down.

Fierce bidding expected as Mexico steel plan goes ahead

BY WILLIAM CHISLETT IN MEXICO CITY

AFTER SEVERAL years of planning, the Mexican Government has finally given the starting date for the massive expansion of the Sicartsa State Steel mill at Lazaro Cardenas on the Pacific Coast.

Infrastructure work will begin this month on the second stage of Sicartsa. Installed capacity will be raised by 2m tonnes of liquid steel to 3.3m tonnes by 1984 at a cost of $2.2bn (£934m). The extra capacity will be all flat products.

Eventual capacity at Sicartsa is projected at 10m tonnes.

The second stage has been bogged down by technical, bureaucratic, financial and political problems. Meanwhile, the demand for steel has been sharply outstripping production. The oil-rich Mexican economy is growing in real terms by 8 per cent for the second year running but steel-hungry sectors of the economy like the oil and construction industries grew last year by 15 per cent and 12 per cent respectively.

Sr. Jorge Leipen, the head of Sidermex, the holding company for the three State steel mills, said that the Hyl direct reduction process, patented by the private Mexican steel mill Hylsa, would be used in Sicartsa Stage two, and not the traditional blast furnace system.

The Hyl process uses natural gas of which Mexico, as a rich oil producer, has a surplus. The blast furnace system uses coal, which is in short supply in Mexico. Last year coal imports for the steel industry were 582,000 tonnes, a 48 per cent increase over 1978.

Sr. Leipen said that 60 per cent of the $2.2bn cost would come from external financing and the rest from Mexico's own funds. The World Bank, he said, had showed interest in the project and Mexico was keen to have its "stamp of approval."

There will be fierce competition for the huge project. Among the competitors for the different parts of the steel mill are the West German Lurgi, Dravo and Lectromelt of the U.S., Voest of Austria, Mitsubishi and the Davy Group. British Steel, along with McLellan and W. S. Atkins, were the project advisers for the first stage.

A high-level British Steel group is expected to visit Mexico this month.

Sidermex has estimated in its plan, which covers the period to 1990 that national output must more than triple to about 24m tonnes by then if the demands of the booming economy are to be met and imports reduced.

The steel industry, says the Sidermex plan, will need to maintain an average 11 per cent increase over the next 10 years if the goal of virtual self sufficiency is to be met.

State and private steel production rose by only 4.7 per cent last year to just over 7m tonnes.

Demand, however, for steel in 1979 increased by 12.9 per cent to 9m tonnes—the shortfall was made up by imports and running down stocks. Steel imports in 1979 were 1.6m tonnes worth 24bn pesos (£500,000) compared with imports in 1978 of 1.3m tonnes worth 16.2bn pesos. Demand in 1990 is estimated at 26m tonnes.

In the first four months of this year, steel production fell by 3.7 per cent over the corresponding 1979 period, mainly because of labour problems.

The State mill Altos Hornos, the country's largest, was out of production for 50 days earlier this year because of prolonged strikes.

Given this, there is an urgency to get a move on with the second stage of Sicartsa otherwise steel production will fall more and more behind demand. Some observers believe that the Government's ambitious plans to double industrial capacity every seven years could be stalled by the slow progress being made in raising steel output.

Sidermex has said that it plans to invest at least 400bn pesos between now and 1990 to increase State steel production to 18.5m tonnes by 1990.

This is based on aneconomy which is projected to grow by 8 per cent a year for the foreseeable future.

State steel expansion includes raising production at Altos Hornos from 2.6m tonnes to 4.2m by the end of 1982 and plans are on the drawing board for a plant, to be called Siderurgica 3, with a capacity of 5m tonnes at Alta Mira near Tampico on the Gulf Coast.

John Nott to visit Nigeria

By Mark Webster

BRITAIN'S Trade Secretary, Mr. John Nott, will become the first British Cabinet Minister to visit Nigeria since the new civilian government came to power in October last year.

Mr. Nott leaves London next Monday for a five-day visit during which he will meet key ministers and address the Nigerian-British Chamber of Commerce in Lagos.

Mr Nott will be the first senior Trade Minister to visit Nigeria since 1975. His trip comes at a time when British exports to what has traditionally been a major British market are again booming.

Nigeria's oil-based economy went into decline during 1979 because of a misjudgment of the oil markets. UK companies were particularly disfavoured because of the Conservative Government's policy towards Zimbabwe.

But figures for the first five months of this year show British exports to Nigeria at £447.5m and exporters are confident that they will top the £1bn mark for the year, as they did in 1977 and 1978.

Mr. Nott was supposed to visit Nigeria in May this year after a trip to Brazil but was prevented from landing at Lagos by an air traffic controllers' strike.

Porsche pulley deal for GKN

By Peter Cartwright

GKN BOUND BROOK has brought off a technical and export coup designing a lightweight aluminium camshaft pulley by the powder metallurgy method for Porsche of Stuttgart. Porsche has placed the order for production tooling and original equipment supply.

Energy conservation is accelerating the move to lightweight materials in cars, including all aluminium engines. Up to now they have been using iron camshaft, crankshaft and intermediate sprockets and pulleys. The new aluminium pulley is only about a quarter of the weight of the iron pulley it is replacing.

The Porsche order was won against West German competition, and first deliveries, for subsequent assessment by Porsche, begin at the end of the year.

The Lichfield company is part of the GKN Powder Met division which has three UK factories and others in the U.S., Italy and India.

State help for Dutch exports

By Charles Batchelor in Amsterdam

THE DUTCH Government is to help small companies meet the cost of employing an export manager. It will pay half his salary, social security and travel costs for the first six months of his employment up to a maximum of DFL 30,000 (£6,500).

The aim is to encourage companies employing up to 200 people to start exporting or strengthen their position in existing markets. The idea is experimental and will be reviewed at the end of this year, the Economics Ministry said.

The government has set aside Fl 900,000 to cover the cost of the scheme. Companies must apply before November 1 and before they appoint an export manager.

This move is part of the continuing Dutch effort to boost their flagging export performance. In April, the Foreign Ministry announced the appointment of the first of five trade counsellors to consulates and embassies abroad. The first counsellor has gone to the consulate in Los Angeles to promote exports on the U.S. West Coast.

A survey of the export activities of small and medium-sized companies published earlier this year by the Nederlandsche Middenstandsbank disclosed a lack of information about the potential for gaining foreign orders. While export awareness was growing, many companies gained orders more by chance than as a result of deliberate policy decisions.

$115m ship orders

MONTREAL — Eurocanadian Shipholdings has ordered two oil and dry bulk carriers of 150,000 deadweight tons each for about $115m (£49m) from the Hyunai Shipyard, South Korea.

Delivery is scheduled for 1982. The ships will be used on the north Atlantic. AP-DJ

Norwegian, Burma deal

BY OUR OSLO CORRESPONDENT

NORCONCERT, the conglomerate of 20 Norwegian building contractors and technical consultants, has won a contract for the preparation and projecting of a major hydro-electric plant at the Paung Laung in Burma.

The plant will be part of a $400m development programme for the Nyaunggyat region where a number of international engineering companies is involved.

The Norwegian share is worth about $6.4m while West Germany takes a major part with $45m and Japan with £15m.

The Paung Laung project comprises the building of power stations, transmission lines, a major dam and some irrigation works. Invitations for tender for the whole Nyaunggyat works will go out in 1983.

S. Africa increases orders for Airbus

PARIS—South African Airways has converted an option for an A-300 wide-bodied airliner to a firm order and has taken two options for another two A-300s, the Airbus Industrie consortium announced yesterday. The airline now has six firm orders and two options for the aircraft.

The sixth aircraft, to be delivered in the last quarter of 1982, will be a mixed cargo-passenger version, featuring a large cargo door and a loading system on the aircraft's upper deck.

Airbus Industrie now has 197 firm orders and 81 options for A-300s and 262 firm orders and 149 options for its short-to-medium range A-310 aeroplane, first deliveries of which are scheduled for 1982.

Airbus Industrie also has announced that Litton Aero Products' LTN-90 ring laser gyro inertial reference system will be used as standard navigation equipment aboard its A-310 jetliners.

The LTN-90, which embodies the most advantaged ring laser gyro techniques, has been in development by the U.S. company for many years. The unit provides precise outputs of attitude, heading, drift angle, ground track, flight path angle, present position, ground speed, vertical speed and wind speed, as well as body angular rates and accelerations.

The new Litton systems will be installed in triplicate in the twin-jet A-310.

● Cable and Wireless has won a contract worth more than £500,000 for the supply and installation of a computerised aircraft departure control system in Abu Dhabi. The system, known as LOPAC (load optimisation and passenger acceptance control), has been bought by the country's Department of Civil Aviation for use by Abu Dhabi Airport Services at the new international airport. Agencies

UK oil self-sufficiency to end this year.

(Financial Times, 2 July 1990)

It's not a headline anyone wants to see, yet it could become reality in as little as 10 years. Today's known North Sea fields — the result of a decade and a half of investment — can't meet UK oil needs much beyond 1990. Such a shortfall would be bad news for British self-sufficiency.

The good news is that there's almost certainly a great deal more North Sea oil to be found — perhaps even as much as has been found so far. But nobody knows for certain.

And however much oil there is out there, will it be available in time? It took Britain 16 years to reach today's self-sufficiency. It will take most of this decade to bring on a second generation of fields.

In all probability, future fields will be smaller, in deeper water, and harder to develop than today's — with second-generation technology specially designed to cope with ever more rigorous conditions. Even now some of the oil already discovered in the North Sea defies all present technology: Mobil has a stake in a gigantic field west of Shetland that is a geological nightmare. Nobody has yet found a practical way to extract its oil.

The North Sea oil industry has already achieved the difficult; the impossible may take a little longer. The Government's recently-announced plan to release 90 more areas for North Sea exploration is a healthy start for the future. Government policy committed to continuing exploration and field development is essential. Because the next decade's headlines are being written today.

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This alarmingly simple statistic alone emphasises that the over-riding need of a business today is for constant up-dates of factual trading and financial information.

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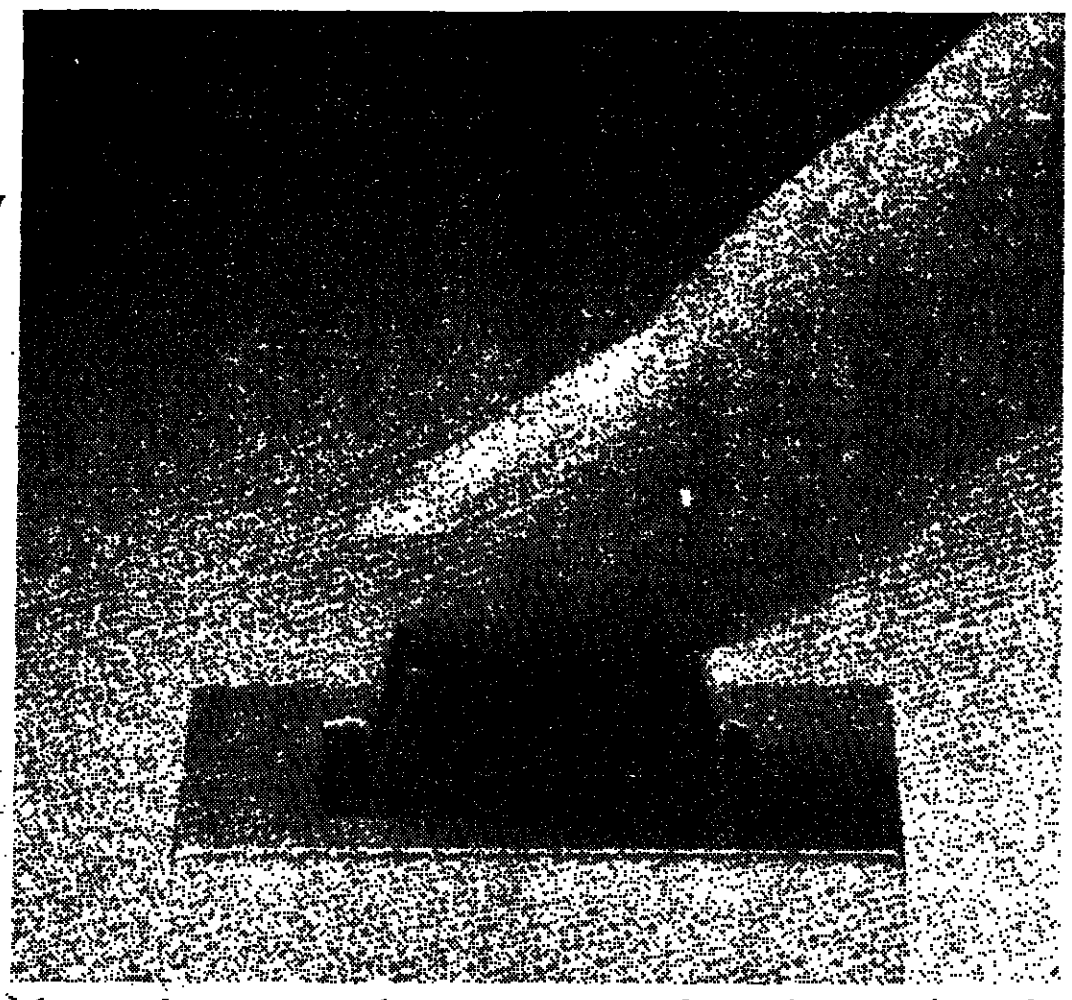

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It's making business more efficient.

ITAL LAUNCH: BL today launches the Morris Ital, effectively a face-lifted and mechanically improved Marina, designed to see BL through to the arrival of its all-new medium car, the LC 10, in 1983. Around £5m has been spent with Ital Design of Turin. The frontal changes are mainly to the grille and headlamp assembly; the boot has been reprofiled and the entire rear strengthened, writes John Griffiths.

The most significant changes lie beneath the skin: the smaller, 1.3 litre Ital uses BL's A-Plus engine, another version of which is to be installed in BL's vitally important Mini Metro model to be launched in the autumn. The "A" series unit, now nearly 30 years old, has been heavily re-engineered, with a stren-gthened cylinder block casting, new pistons, carburation and manifolding. Other A-Plus engines will go into the Allegro and the Mini, which will continue in production after the launch of Metro.

Thorn to sell medical equipment company

Ray Perman, Scottish Correspondent, reports on the fate of Nuclear Enterprises under Thorn EMI

THORN EMI told unions yesterday that it has reached an advanced stage in negotiations to sell the Ultrasound division of Nuclear Enterprises, the company that once gave Britain a world lead in the development of ultrasonic medical equipment.

The move is in line with Thorn's intention announced two months ago, to pull out of the medical electronics field which has proved so troublesome to EMI over recent years.

The prospective buyer has not been named, but is believed by trade unions to be the Fischr Corporation of the U.S., which alread yhas interests in X-ray equipment.

Mr. William Goldfinch, managing director of one of Thorn's product groups, told shop stewards that the buyer intended to continue manufacture of ultrasonic scanners at the Nuclear Enterprises plant in Edinburgh.

This would be done alongside the company's other division, making nucleonic instruments, which Thorn is retaining. But unions fear that there will be up to 100 redundancies among the 370 staff.

The history of Nuclear Enterprises is a cautionary tale for entrepreneurs tempted to sell out to large groups. The company was founded in the 1950s by two scientist brothers, Dr. Robert Pringle and Dr. Derek Pringle. It quickly became highly successful in the production of nucleonic instruments.

The involvement with Ultrasound came in 1967 when the company acquired the stock, patents and some of the technical personnel of Kelvin Electronics, a Glasgow subsidiary of Smith's Industries, which had ceased production.

EMI first took an interest in Nuclear Enterprises later the same year. In 1976 it decided to buy out the Pringles and integrate Nuclear Enterprises' ultrasonic activities with its own medical division, which was then having considerable success with advanced CAT scanners. These are sophisticated X-ray machines that give remarkably detailed pictures of the inside of the body.

Ultrasound, which gave images using sound waves rather than electro-magnetic radiation, was seen as complementary to CAT scanning. Although not so precise, it was safer in use, could give "real time"—that is instantaneous—television pictures and, above all, was far cheaper.

EMI intended to sell both types of machine through the sales force it had built up in the U.S., which was seen as the biggest potential market. Its small sales and service force, based at the Edinburgh plant, was merged with the EMI team based in the south of England.

Things started to go wrong soon afterwards. The boom in the sales of CAT scanners proved to be short-lived as medical authorities, particularly in the U.S., began to question whether the extra benefits the machine brought were worth the considerable outlay in cash.

This meant financial problems for EMI, but it also rebounded on Nuclear Enterprises. Unions in the plant believe that merging the two sales forces was a big mistake.

They say it locked ultrasound into the problems of the CAT scanner, and meant that salesmen who were paid partly in commissions spent more of their time and energies trying to sell the more expensive machine than the cheaper one.

In addition, the move of servicing from Edinburgh took away a profitable activity from Nuclear Enterprises that had been used to support the development work on ultrasound.

Meanwhile, as orders were dropping, overseas competition from the U.S. and Japan was building up. Britain no longer has a world lead in ultrasonics, but shop stewards say that development work on Nuclear Enterprises' range of scanners has kept them in the forefront of the market.

The future for the Ultrasound division is now uncertain. Thorn EMI would not comment yesterday beyond saying that there were a number of issues still to be resolved before there could be an agreement to sell.

Unions say there are about half a dozen orders for ultrasonic scanners pending on a more secure future for the Ultrasound division. But the new owner will have to build up a sales force from scratch—the EMI team has been transferred to General Electric of the U.S. as part of the attempt by Thorn to sell its CAT scanner operations. GE has its own ultrasonic interests.

Ford seeks more redundancies

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD UK has asked for further voluntary redundancies or early retirements, this time at the Halewood transmission plant.

Some 405 people are affected at Halewood in addition to 2,300 volunteers Ford called for at other UK components plants last week.

A considerable proportion of the transmissions produced at Halewood are sent to Ford's Continental plants where short-time working has been widespread in the face of reduced demand.

Once again yesterday, Ford stressed that it was still not possible to predict when the recession would abate. It had been decided it would be better to seek the voluntary redundancies rather than continue the layoffs in the transmission plant. Because 700 employees were laid off last week at Halewood, Ford had delayed making the request for job cuts there.

The call for redundancies is to be discussed at a meeting tomorrow between Ford UK and its two main unions, the TGWU and the AUEW.

The meeting is likely to reflect the unions' anger at what they see as Ford's failure to consult them before the call for voluntary redundancies was announced.

In turn, Ford's management will certainly give the unions an up-to-date view of the current state of the car industry in Europe.

At Halewood, as at other plants, Ford is asking for all men over 55 and women over 50, with more than ten years' service with the group, to volunteer for early retirement and for those with less than five years' service with Ford to apply for voluntary redundancy.

● As part of its policy to cut down imports of built-up cars, Ford UK is increasing the supply of the Fiesta, the smallest car in its range, from Dagenham.

By the end of the year, the group will be selling as many Fiestas built in the UK as in Spain, which has been the main supplier up to now.

Last year, Ford UK imported more than 47,300 Fiestas from its Valencia plant and was the main contributor to the adverse trade balance in automotive products between Britain and Spain which has become the centre of a political row.

The UK Government has complained strongly to the European Commission and the Spanish authorities about the imbalance of trade in cars.

The UK maintains that the import regime in Spain, where those car makers with Spanish assembly plants get favoured treatment, is incompatible with the EEC-Spain agreement

Ford UK said yesterday that no political pressure had been puth on it to cut back on Fiesta imports.

And it is understood that the UK Trade Department is not complaining about the growing tendency for multinational motor groups to source products from various countries.

ROLLS-ROYCE and Bentley sales have shown considerable strength in the face of the slide in the UK car market from the end of the first quarter of this year, Mr. John Carpenter, marketing director of Rolls-Royce Motors' car division, said yesterday.

Sales have fallen by only 3.4 per cent in this year's first half, whereas the market as a whole is down by more than 10 per cent, with other large luxury cars being particularly heavily hit. Aston Martin Lagonda has announced redundancies.

Laker applies to fly Skytrain to Australia

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

LAKER AIRWAYS, which flies the successful Skytrain low-fare services between Gatwick, New York and Los Angeles, has applied for a similar service to Australia.

The airline has asked the Civil Aviation Authority for rights to fly between the UK and points in the Middle East and south-east Asia to Australia, with Perth, Melbourne and Sydney as its intended destinations. Later, it would plan to extend the service to New Zealand.

Laker was recently awarded rights for a Skytrain service to Miami, and also on appeal was given rights to Hong Kong, after the Civil Aviation Authority had rejected its application.

Laker has not yet given details of its cheap fares to Australia, but these are expected to follow the customary pattern of undercutting the cheapest rates available on rival scheduled services—in this case those of British Airways and Qantas, the Australian airline.

The Laker licence is requested to be effective from November 1 this year to October 31, 1990. It is expected that the Civil Aviation Authority will hold a public hearing into the application this September.

● British Caledonian, which was also recently given rights to fly to Hong Kong, has asked the Civil Aviation Authority for rights to fly between Gatwick and Dubai, Sharjah, Bahrain and Abu Dhabi in the Middle East.

Approval of these applications will not only enable Caledonian to fly through those destinations en route to Hong Kong, but also to pick up and set down traffic.

Mr. Alastair Pugh, managing director, said that the "watering down" of its Hong Kong licence by the recent Government decision also to allow Laker and Cathay Pacific on the route, meant it needed traffic rights in the Middle East to maximise its revenue potential.

Call for better management leadership

Financial Times Reporter

A CALL for management to provide more imaginative leadership was made yesterday by Sir Hector Laing, chairman of United Biscuits.

He was receiving the 1980 National Free Enterprise Award from Aims, the free enterprise organisation.

Sir Hector said that the greater freedoms given to enterprise by Government imposed "greater responsibility, and management must take a step forward—must display greater courage and vision—and provide leadership to promote a consensus in industry.

"Management and unions in industry must jointly apply enlightened and constructive policies so that we can achieve the goals of increased productivity and, therefore, greater national wealth for all."

Sir Hector, voted Businessman of the Year last year, is particularly concerned that companies build up a good relationship with their workforces, especially as unemployment is rising and the introduction of new technology is seen as a threat to jobs.

He received this year's award because of his emphasis on improved communications, his chairmanship of a successful company and his "courage in applying the law as it stood on picketing," Mr. John Lyle, Aims chairman, said yesterday at the presentation of the award.

Aims gave two special awards to the Sheerness Steel company and Mr. George Bull, editor-in-chief of the Director magazine.

Shipbuilding orders 'still not adequate'

BY LYNTON McLAIN

ORDERS WON recently by Britain's merchant shipbuilders were "useful but inadequate to ensure viability," Mr. Robert Atkinson, the new chairman of British Shipbuilders, said yesterday.

He called on the industry to create a period of stability "in order to improve our productivity and performance on which all else depends."

He spoke as a confidential report, commissioned from the corporation by the shipyard unions, showed that almost three-quarters of yards have not yet reached the stage in local productivity agreements—agreed last year with the unions—of paying bonuses to workers.

Each yard has the chance, under the agreements, to operate self-financing productivity schemes.

However, only eight of the 29 shipyards and engineering companies controlled by the corporation have recorded improvements in efficiency sufficient to warrant bonus payments.

These yards are: Falmouth ship repair works, George Clark, engineering company, of Hartlepool; Hall Russell, the Scottish yard now producing an offshore patrol vessel; K and L Marine, of Killingworth, which makes stern gear and propeller shafts; Sunderland Shipbuilders which operates the largest covered-in berths in Britain; Vickers at Barrow, makers of nuclear submarines and warships; and the warship yards of Vosper Thornycroft UK and Yarrow.

Austin and Pickersgill, one of the successful yards before nationalisation, is not paying bonuses at the moment. The corporation said this was because the yard already had a "high base of productivity" and because the yard was on a three day week during the steel strike—when the report was prepared.

Barclay Curle, Govern and Robb Caledon have all so far failed to conclude productivity agreements.

Other yards have reached agreement on productivity but have failed to pay any bonuses for a variety of "local reasons," according to British Shipbuilders. The yards include Cammell Lairds, Doxfords, Scott Lithgow; Tyne Shiprepair, Grangemouth ship repair yard, and Smith's Dock on the Tees.

At Swan Hunter on the Tyne, a lack of work and last year's cut of 1,200 in the workforce has resulted in no bonuses being paid, despite a productivity agreement.

The corporation said last night that "there has been some dissatisfaction among the workforce about what the productivity schemes have yielded."

The corporation is attempting to explain to the employees that bonuses from productivity do not always come through immediately. "It takes some time for the benefits to feed through."

Civil defence is 'starved of cash and resources'

BY OUR DEFENCE CORRESPONDENT

BRITAIN's civil defence arrangements are so inadequate that even those nominally in charge of them do not know what to do or lack cash and other resources to prepare against nuclear attack.

A report by the Conservative parliamentary sub-committee on civil defence, issued yesterday, urges that civil defence should have a permanent share of the overall annual defence budget.

"While expenditure clearly needs to be increased, very considerble improvements can be achieved without a major reallocation of public spending," says the report.

"Equally, a new programme must avoid needlessly alarming the public, or leading them to believe that hostilities are either imminent or probable."

The report suggests that although many MPs feel civil defence should be the responsibility of the Ministry of Defence, the committee itself believes the Home Office should stay in charge.

"In all cases, it was strongly felt that adequate headquarters facilities and greatly improved communications should have top priority."

Hepworth to close three factories in the north

FINANCIAL TIMES REPORTER

MORE THAN 288 jobs are to be lost in the textile industry with the closure of three factories and he run-down of a fourth by J. Hepworth and Son.

The Leeds-based company is a major manufacturer and retailer of men's clothing. It wants 323 redundancies at one of its largest factories in Sunderland, which has a workforce of 578.

The factories to be closed are in Leeds, Hetton-le-Hole, Tyne and Wear, and Colburn, North Yorkshire.

Servis, the domestic appliance manufacturer, is to stop production of washing machines at its Wednesbury, West Midlands, factory for seven weeks.

More than 850 workers have been laid-off until August. The company is one of the biggest employers in the town.

Its lay-offs are in line with those by several other domestic appliance manufacturers, which have said that consumer demand has fallen sharply in recent months.

Hyvon, the Finnish-owned clothing manufacturers, said that 27 women will be made redundant this wek at its factory in Glenrothes, Fife, Scotland, and that the factory is exeptced to close soon.

Another Fife employer, John Dickson, the paper manufacturer, has announced that a £3.5m investment in new technology will mean the loss of 90 jobs at its Glenrothes and Balerno mills in the next 12 months.

The increasing redundancies in Fifehas prompted Mr. Bert Gough the region's convenor to call a series of "crisis meetings" of MPs, trade unionists and employers. He said that the region has had more than 3,000 redundancies in the past 13 months.

Laporte Industries, the chemicals manufacturing group, is to close the least efficient units at its titanium dioxide works in Stallingborough, Humberside, with the loss of 450-500 jobs.

The closure will be phased over the next 15 months. The company intends to maintain its share of UK production of titanium dioxide, or white pigment, which is used in the print, paper and plastics industries.

Tough task for new chief of Nuclear Corporation

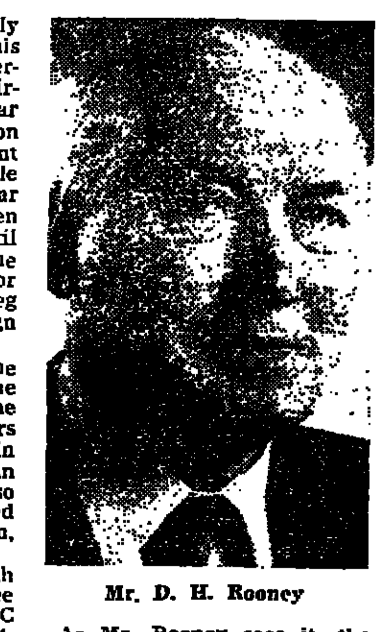
BY DAVID FISHLOCK, SCIENCE EDITOR

"IT'S A shambles, it can only get better," says Mr. Denis Rooney, who took over yesterday as the first full-time chairman of the National Nuclear Corporation. The corporation was set up by the Government six years ago as the "single strong unit" building nuclear reactors, but it has been deprived of new orders until this year. On his first day in the job Mr. Rooney set out for Cheshire at 7 am on the first leg of a tour of the nuclear design and construction group.

Before the end of the week he plans to visit for the first time all the principal offices of the corporation—with headquarters at Risley and Knutsford in Cheshire, and Whetstone in Leicestershire. He will also visit one of the long-delayed nuclear projects at Heysham, Lancashire.

Before the end of the month Mr. Rooney will announce three retirements from the NNC board, and three new appointments, including his own. He also hopes to be ready to ask Urwick Orr and Partners, the management consultants he has called in to advise him, to proceed with stage two of their investigation of the NNC management.

Stage one, already complete, confirmed his own preliminary diagnosis that the corporation urgently needed a simplified management structure to achieve a system of individual accountability at the top. At present it suffers from a complicated three-tier structure devised by the Government in 1974. The NNC has an operating arm—the Nuclear Power Company, in addition to which the Government gave a supervisory management contract to GEC, the principal private shareholder, with a 30 per cent stake.



Mr. D. H. Rooney

As Mr. Rooney sees it, the top priority must be to get rid of the three-tier structure, before it can hope to demonstrate its ability to perform efficiently. "And I am determined to achieve performance," he says. If the National Nuclear Corporation can demonstrate that it has the capability—something it has not done very successfully over the past five years—he believes he will enjoy the full support of the Central Electricity Generating Board, its main customer. Mr. Rooney worked closely and harmoniously with the CEGB in the 1960s to install the 400-kilovolt national "supergrid."

But Mr. Rooney's criticism of the three-tier structure is not directed at the way GEC has exercised its supervisory management contract, now being reviewed from month to month. "GEC has done a very effective job of supervisory management"—the retiring part time chairman of the NNC, Lord Aldington, is deputy chairman of GEC. In spite of the parlous state of the industry Nuclear Corporation shareholders earned a 10 per cent return on their holdings last year. His criticism concentrates on the clumsiness of the structure, financially as well as organisationally.

Mr. Rooney hopes to repeat the success he enjoyed in uniting three disparate components of BICC, the electrical group, into Balfour Beatty, which is responsible today for over 70 per cent of BICC group profits. Urwick Orr were his consultants in this task too.

Phase two of their new task will be to make a detailed review of the management structure of a company which in six years has never managed even to organise a single headquarters. He plans that this phase shall take "not more than three months."

Mr. Denis Rooney brings two great strengths to a divided and under-nourished company. He was a highly successful project director, notably in railway electrification projects. And as production director in charge of all BICC investments overseas, embracing 51 factories in 15 countries until yesterday.

Mr. Rooney sees National Nuclear Corporation as one strong project management organisation. What other projects he undertakes to help achieve is "a matter for me to decide—I have very wide terms of reference." His short-term priority is nuclear power.

Mr. Rooney, a Cambridge engineer, took on a job which other top engineers closer to nuclear problems declined, because, he says, "I am a fighter."

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Demand for OPEC oil 'will slump'

BY RAY DAFTER, ENERGY EDITOR

THE ORGANISATION of Petroleum Exporting Countries faces a major drop in worldwide demand for its oil in the next few years, according to an energy study published in London yesterday.

Industrialised countries' dependence on imported oil is likely to fall much more quickly than indicated by the broad targets agreed at the recent Venice summit, says Economic Models, an international forecasting group.

Net oil imports of countries in the Organisation for Economic Co-operation and Development are expected to fall from 25.8m barrels a day last year to 21.8m b/d this year and to only 19.9m b/d in 1985. In 1990, the OECD countries could be importing considerably less than last year, possibly about 22.7m b/d.

OPEC will feel the brunt of this change in oil supply patterns. By 1982 demand for OPEC oil could be some 5.5m b/d below last year's 30.7m b/d.

Dominant

Economic Models says this could result in a small decline in the real price of oil next year—"mainly resulting from special price deals some OPEC members may have to negotiate with consumers in order to maintain their sales."

By the end of the year, it says, Saudi Arabia—OPEC's leading pricing moderate—should regain dominant influence over world oil prices. Even to maintain real oil prices, the kingdom would have to cut oil output from the present 9.5m b/d to about 6m b/d.

Economic Models expects that Iranian exports, now at a very low level, will increase soon. But this, when coupled with falling demand, could help to create an "oil glut."

Saudi Arabia, through its important supply position, held the key to stabilising supply and demand. The other OPEC members did not have the technical and economic ability to reduce output sufficiently to counteract such over-supply.

Factors contributing to the low levels of oil imports include:

- Sluggish economic growth.
- Conservation and fuel switching, largely influenced by higher prices.
- Possibilities for exponential growth in coal trade.
- Development of unconventional sources of fuel.
- The commissioning of substantial nuclear capacity planned in the early 1970s.

Oil production in OECD countries is also expected to increase. Output should rise from 14.7m b/d last year to 15.7m b/d in 1982 and 16.1m b/d in 1984. OECD demand for oil is forecast to fall by 3m b/d this year and a further 1m b/d next year.

By 1990 it is expected to be about 1.5m b/d below last year's consumption of 39.9m b/d and a long way below the rate being forecast last year.

Looking at UK energy needs, Economic Models forecasts that demand will be lowered by an economic recession in 1980-81 and perhaps an even more severe recession in 1985-86.

Total UK energy consumption is expected to drop from 205.6m tonnes of oil equivalent in 1979 to 190.1m tonnes this year. Even in the late 1980s, energy demand could be below 200m tonnes a year. The forecasters believe the UK could still be marginally self-sufficient in oil in 20 years.

Disabled

- A national competition for schoolchildren to identify the problems of Britain's disabled was announced yesterday.

Children putting forward the most deserving projects will be given cash grants to do something about the problems they find.

The competition, called Get Around, is being launched by BP Oil under its challenge to youth scheme, in conjunction with the Government-backed Committee on Restrictions Against Disabled People. A joint steering committee has been set up to supervise the competition, which will coincide with the UN international year of disabled persons in 1981.

Grants totalling £3,600 and awards of £2,375 will be given to school teams during the course of the competition.

Hand tool producers call to free export trade

By James McDonald

BRITISH hand-tool manufacturers, in spite of soaring imports, are not seeking blanket import controls. But they do want reciprocity of trading opportunity with a number of countries which effectively prevented free access to their markets for British tools, said Mr. Geoff Ward, president of the Federation of British Hand Tool Manufacturers, in Sheffield yesterday.

Launching a "Buy British" campaign, Mr. Ward said: "We do seek fair trade. If there is unfair trading imports there is an EEC mechanism which we will invoke to set the balance fairly. We have in the past succeeded in anti-dumping actions and are currently supporting and initiating EEC action."

Reciprocity of trading opportunity, however, was another matter. Mr. Ward pointed out that within the past six months the EEC, supported by the UK Government, had negotiated trade agreements with China, Yugoslavia, Andean Pact countries and Brazil. "In each case the country concerned is granted favourable rates of duty entry into the UK, and in some cases nil duty.

"British tools going into the same countries are subject to duties of six or seven times our UK rate as a minimum deterrent, up to no entry at all—just no licences."

On exports, Mr. Ward said that the Government had created a situation "where interest rates have not only burdened our costs but have forced up the value of sterling to a level even higher than the petro-base level. Thus our exports are further endangered beyond our control. At the same time we are, with the Government's policy of non-intervention, facing over 40 per cent increase in rates, over 30 per cent increase in gas, and inflation-fuelled demands for wage increases over 15 per cent."

The home market for hand tools was worth about £200m last year, a rise in actual values of 20.6 per cent from the 1978 level. Imports, at £92.7m accounted for 46.6 per cent of the market.

Rhys David looks at developments on Manchester City Council

Financial crisis 'spells Doomsday'

AT NOT much more than five feet Mr. Norman Morris makes a diminutive but pugnacious Labour leader and city boss of Manchester.

With his announcement of the city's financial crisis—a doomsday situation in his own words—he is evidently trying to tell the Government that the cash problems facing the British Steel Corporation, BL and large parts of industry could soon spread to local authorities.

Manchester's crisis, bringing with it the threat of a £1 increase in rates to £2.50 in the pound, is the result of a collision between higher costs and the city council's determination to maintain the role of a "caring" authority.

The problem is that while Manchester has wanted to continue spending large sums on providing a high level of service—despite Government instructions to make savings—the city's tax base has been sharply eroded. Manchester's population has dropped since the Second World War from 700,000 to less than 500,000 and, although commercial development has been buoyant, the industrial base has declined.

The city's population is ageing, increasing demands on the services, and the inner city areas house a high proportion of deprived families.

City officials say Manchester's willingness to cater for the less privileged has meant that it has acted as a magnet for the problems of other less generous authorities. Spending by Manchester last year on social services rose 30 per cent to £29m.

In education, falling school rolls have resulted in under-used facilities, yet Manchester opposes enforced redundancies among teachers or any other groups. About 700 jobs are to be cut this year from the council's massive 42,000 payroll—there was a similar increase last year—but this will be achieved by voluntary means.

Manchester's other burden has been the vast slum clearance and council house building programme carried out since the war, resulting in an enormous debt burden. Some 80,000 houses have been built by the authority in the last 35 years, giving it a total of 110,000 council houses—including some on overspill estates—out of the city's 165,000 households.

The total debt which the city has to service, much of it the result of its housing programme, is £525m. Taking the view that many of its tenants are underprivileged through unemployment or some other cause, the city has been reluctant to increase council rents in line with inflation. A rise last autumn—the first for three years—brought the average rent up to £5.66 per week—£11.60 including rates.

To service its large council house sector the city fields one of the UK's biggest direct works departments. This, and its joint ownership with Greater Manchester Council, County of Manchester Airport has helped to create the huge municipal payroll—roughly 1 in 2 of the city's total population.

As a major employer, however, Manchester has been particularly vulnerable to the large pay settlements awarded to teachers and other local government workers this spring. According to a city treasurer's report the council's pay bill in 1980-81 will be £40m higher than the existing provision of £182.4m, and will rise further in subsequent full years.

Mr. Colin Rudman, deputy city treasurer, says that Manchester, like all other authorities, has been basing its calculations this year on much lower inflation and interest rates. "The Government suggested we should allow 13 per cent for inflation not 20 per cent," he says.

The effect of all these factors, according to a treasurer's department report, will be a deficit in 1980-81 ranging from £12.8m on the most optimistic assumptions to a pessimistic £34.5m, with the most likely figure put at £21.7m. This will be repeated in 1981-82, if no action is taken, and will be worsened by any further wage rises or other cost increases.

The options open to the council are quite simply to increase revenue or decrease expenditure. A decision on which combination of measures should be taken will be made later this month. Higher housing rents seem a very strong candidate and increases of possibly as much as £4 are being mentioned.

A steep rise would almost certainly cause further trouble, however, within the council's labour group, which was split earlier this year by a row over a £1m cut in housing maintenance. A total of 13 councillors were expelled for voting against the cut but Labour's national executive committee has recently ruled that they must be reinstated.

A supplementary rate increase this year is another possibility, but this carries with it the risk that Mr. Michael Heseltine, Environment Secretary, might respond by clawing back Government grants.

Fluoride in water plea by majority

TWO-THIRDS of people in Britain want fluoride added to their drinking water to reduce tooth decay, according to a nationwide survey carried out by NOP Market Research for the West Midlands Regional Health Authority.

Of nearly 2,000 people questioned, 66.5 per cent were in favour of fluoride in public water supplies, only 15.8 per cent were against and 17.7 per cent registered a "don't know."

The pro-fluoridation response was as high as 76 per cent in the North of England. In the Midlands it was 60 per cent, in Wales and the West 69 per cent and in the South-East, including London, 67 per cent. Only 46 per cent of Scots were in favour, but they were in a two-to-one majority over those against.

Mr. Roger Bell, dental adviser to the West Midlands RHA, said the "remarkable figures" should give a much-needed boost to the fluoridation programme, designed to promote better dental health.

Watney Mann to cease selling alcohol-free lager

BY GARETH GRIFFITHS

WATNEY MANN, part of Grand Metropolitan, is to stop selling Barbican, an alcohol-free lager, in its tied public houses. The company says such sales break tenancy agreements over the brands of drinks that can be sold.

The reason for the withdrawal is that Barbican is brewed by Bass and marketed through a Bass subsidiary, Canada Dry. The drink is aimed at the carbonated soft drinks market, which is not covered by brewery agreements specifying the types and brands of drinks public house tenants are permitted to sell.

But the drink was classified as a lager and not as a soft drink, said Watney Mann. Since tenants were not allowed to sell it, it had been withdrawn. But Canada Dry officials are undismayed by the decision and argue that it shows there is still plenty of demand for Barbican.

The Bass tied houses are providing Barbican with a guaranteed base and both Canada Dry and Watney say the amount covered by the withdrawal is "minute." However, the drinks industry has been generally sceptical over alcohol-free products and previous attempts by other brewers have proved disappointing.

Canada Dry estimates the size of the carbonated soft drinks market at about £400m a year. Barbican was launched last year in the Midlands and is now also distributed in London and the South-East. It is being sold in both pubs and unlicensed premises. Sales volume figures are not yet available, although Bass and Canada Dry hope there could be potential export markets in the Middle East.

- Beer sales since April are likely to have shown a slight fall in spite of the good weather in May as the recession squeezes consumer spending. Industry analysts are now also predicting a price war in the take home trade

Stockbrokers Rowe and Pitman in their quarterly review on breweries suggest that although trade was good in the first few months of the year, the indications now show a decline. The report suggests sales in the South have held up marginally better than the North, but that total volume is probably down about 2 per cent since April. It cites the competition betwen two cheap lager brands, Falcon (Allied) and Kestrel (Scottish and Newcastle) as an example of aggressive pricing by brewers.

Some breweries are selling beer at a loss according to a report by analyst Colin Mitchell, of stockbrokers Buckmaster and Moore. The report estimates that several ranges of beer sell at a loss of 3.3p a pint in the take home trade and 4.2p per pint in the free on licensed trade. The report believes such pricing and the possibility of an even more aggresive price war could lead to long term problems both for consumers and the industry.

Inflation attacked by Reed chief

By James McDonald

"WE ARE not going to be airlifted out of our problems by some major and enduring surge of economic activity, and certainly not one created by pumping Exchequer money into the UK economy," states Sir Alex Jarratt, chairman of Reed International, the paper, publishing and building and home products group, in the annual report today.

He also states that the insidious nature of inflation must be realised.

"We have to invest in new capital equipment in the reasonable expectation that it and the equipment already in place will be manned and operated at maximum efficiency. We have to look very hard at any activity, or indeed industry, whose survival can only be secured by supplying it with funds and people which could be more effectively and profitably employed elsewhere," he says.

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UK NEWS

The Government's Green Paper on companies purchasing their own shares will mean legal changes, writes **Christine Moir**

Principle jettisoned to make industry competitive

THE GOVERNMENT'S twin desires of encouraging investment in small companies and freeing major corporations to redistribute their assets to shareholders could lead to a major change in company law.

At present companies are expressly prohibited from buying their own shares, but yesterday's Green Paper outlines the Government's willingness to abandon this basic principle in the wider interests of making British industry more competitive.

The paper suggests that companies should now, under safeguards, be allowed to buy their own shares, "a change which should make investment and participation in private companies more attractive."

The proposals would also apply to public companies where they are seen as useful for cash-rich companies seeking ways of giving assets back to shareholders.

The Government stops short, however, of allowing companies to trade in their own shares or to buy them for resale. It rejects the U.S. concept of "treasury" shares which companies can use for trading purposes. Shares bought by companies should be cancelled, it recommends.

It also sidesteps the implications for the investment and unit trust movements if investment trust companies are able to buy in their shares. The paper proposes that "investment companies, for the time being, should be expressly excluded" from the new powers.

Unless industry and the City raise fundamental objections to the proposals — and initial reactions are already cautiously favourable — the new powers will be incorporated in the Companies Bill which will be laid before Parliament around Christmas time.

Only three months are allotted to discussion of the paper which, unusually, is the work of a single author, Professor Jim Gower, the research adviser on company law to the Department of Trade. Comments must be submitted by September 30.

Prof. Gower's detailed recommendations in the paper lay considerably more stress on the benefits of share purchasing to private companies. He is doubtful how much use public companies would make of the permission to buy shares if there were tight safeguards—as he proposes—to stop them trafficking or rigging the market in their shares.

In particular he does not believe the rules will go far in implementing the Government's desire to promote de-mergers in major conglomerates.

"It is difficult to see how a power to purchase the company's own shares could be directly used to facilitate 'de-mergers'. At the most it might provide an outlet for surplus cash alternative to further takeovers and, when a company had hived-off part of its undertaking by a sale, provide it with an alternative method of distributing the proceeds of sale to its shareholders."

Prof. Gower notes that until recently companies showed little interest in buying their shares. Submissions to the Jenkins Committee in 1962 suggested that "nearly everybody was happy with the *status quo*."

'It is difficult to see how a power to purchase the company's own shares could be directly used to facilitate de-mergers'

More recently there has been some pressure for a wider power and the Wilson Committee on the *Financial Institutions* last month reported that small companies should be allowed to issue redeemable equity shares "as a means of enabling them to raise needed capital without parting permanently with family control."

The pressure to use such instruments, Prof. Gower notes, is still not very strong and many companies would find them irrelevant. However, even if not widely used the facility to buy shares has a number of identifiable attractions.

—It may enable the company to buy out a dissident shareholder.

—It facilitates the retention of family control.

—It provides a means whereby a shareholder, or the estate of a deceased shareholder, in a company whose shares are not listed can find a buyer.

—It is particularly useful in relation to employee share schemes in enabling the shares of employees to be re-purchased on their ceasing to be employed by the company.

—It may help with the marketing of shares by enabling the company to give a subscriber an option to re-sell to the company.

—It enables companies to purchase their shares for use later in stock option plans or acquisition programmes.

—If redeemable shares are quoted at below the redemption price it enables the company to save money by buying up in advance of the redemption date (a practice which our companies can, and do, adopt in the case of debentures but cannot in the case of redeemable preference shares).

—It permits the evolution of the open-ended investment company or mutual fund instead of having to operate through the mechanism of a unit trust.

—It provides a company with surplus cash with a further means of using it advantageously.

—It can be used to support the market for the shares if this is thought to be unduly depressed, thus preserving for the shareholders the value of their shares as marketable securities.

—If the company not only buys its shares but trades in the treasury shares thus acquired it may make money thereby.

The last two items meet with clear disapproval. The Government does not think that companies should be encouraged to invest in their own shares when their main undertaking is to manufacture or trade in goods and services.

It also deplores the possibility that companies could support the markets in their own shares, thereby rigging the markets.

Nor is it keen on the thought that by buying in and cancelling shares a company could reduce its capital and so increase the earnings on the remaining shares because that could lead to abuse.

It is also worried that allowing companies to issue redeemable shares would allow unscrupulous management to maintain or gain control over a company and use the company's money in doing so.

However it sees some advantages in some of the items listed provided that the protection already given to creditors and shareholders under existing company law is maintained.

Because of the possibilities of abuse tight safeguards should be introduced. The paper recommends that

● The principle of repurchase should be authorised annually at a general meeting which would also determine the maximum number of shares which could be repurchased and the broad price range within which they might be bought. (EEC rules suggest a maximum of 10 per cent of the equity be available).

● A registrar of all purchases, contracts and options should be publicly maintained and details also be sent to Companies House.

● The annual report should give full details and reasons for purchase in the year under review.

● Only fully paid shares should be purchasable and only out of a fresh issue or out of profits.

● Purchaser shares should be "cancelled forthwith" and, unless financed by a new issue, be replaced by an undistributable reserve.

● No purchases should be made if they reduced the nominal value of the issued share capital below the statutory minimum laid down by the 1980 Act.

Prof. Gower lays great stress on ensuring that companies cannot buy shares out of capital which could weaken the position of creditors.

He is also concerned about a company's ability to abuse its "insider" position by buying shares on the basis of confidential information only it possesses at the time. He recommends, therefore, that companies should be brought within the insider dealing rules passed in the last Companies Act.

Companies should not buy shares out of capital, which would weaken the position of creditors

One attraction relating to marketing of shares, which Prof. Gower finds acceptable, is likely to meet with considerable opposition from investing institutions.

He believes that companies might be encouraged to "go public" if they could job in their own shares outside the Stock Exchange. In other words they would be able to attract investors if they offered to buy back any shares which the investors later wanted to sell.

Initial reactions to this have been unfavourable. One fund manager said yesterday: "You won't find me investing in a company which is its own jobber. I don't bet against the house."

The same objection would not apply to private companies where the offer by the company to repurchase shares is seen as an important safeguard for investors. They might otherwise be trapped in and unable to find another buyer for their shares than the continuing partners, who might be unable or unwilling to raise the necessary price.

Because public companies are so different from private ones, Prof. Gower outlines the possible ways of allowing only one class of company to buy shares under certain conditions while withholding the right from another class.

Where investment trust companies are concerned he believes the implications of repurchasing rights—which would lead to open-ended funds with a material impact on the unit trust movement—should be studied further.

Mr. Jeremy Sturgess, secretary of the Association of Investment Trust Companies, expressed disappointment that the Green Paper recommended that investment trusts be excluded for the time being.

He said that the movement, as Prof. Gower suggested, would welcome the right to be able to buy shares when conditions were suitable.

* *The purchase by a company of its own shares: A consultative document (Cmnd. 7944, HMSO, £3.35).*

David Churchill looks at the Government's policy statement

More sceptical view of mergers

THE GOVERNMENT intends to treat company mergers more sceptically and with greater emphasis on the possible effects on competition, Mr. John Nott, Trade Secretary, announced yesterday.

In his long-awaited statement on merger policy, Mr. Nott made clear that the Government did not intend to introduce any new legislation concerning merger policy.

Mr. Nott's announcement will be welcomed by many industrialists for ending the present uncertainty about the Government's merger policy.

This uncertainty existed since the last Government published a Green Paper calling for a shift in the official attitude to mergers. It called for a more neutral attitude.

In the past 12 months companies have been unsure how the Government would react to any proposed merger. There has been some divergence of views in Whitehall on particular mergers. The advice of the Director General of Fair Trading on particular mergers has been over-ruled twice in the past year.

The Green Paper had recommended a formal two-stage approach to mergers but Mr. Nott said yesterday he was not convinced "that there would be any real advantage in the relatively precise and formal procedures proposed in the Green Paper."

He said the present law was not ideal on every detail but it was "understood and offers sufficient flexibility to accommodate any shifts of emphasis that may be needed.

"There is everything to be said for continuity and nothing to be said for constantly changing the rules."

Within this as-you-were framework, however, Mr. Nott said the Government's attitude had hardened. There was a need "for a distinctly more sceptical approach" about assessing the relative merits of mergers.

"It may be that some ideas for mergers will not reach first base, as some in the past should not have done."

The Government's approach would be "to take a hard and sceptical look at any suggestion that a merger would automatically lead to rationalisation, economies of scale, or other miraculous transformations."

In addition to this tougher approach—although still not as tough as the Green Paper suggested—Mr. Nott made clear yesterday that the emphasis on competition policy laid down in the 1973 Fair Trading Act should be more actively encouraged.

In practice, this means the Monopolies and Mergers Commission will be encouraged to consider more carefully the overall and long-term effects of a merger on both actual and potential competition.

"We must look very carefully at any mergers which eliminate direct competitors in a market, or which may distort competition through linking supplier with customer."

He acknowledged that there could be no hard and fast rule for judging the competitive effects of a merger. "In some circumstances such a merger could be positively beneficial to effective competition, by enabling smaller suppliers to combine to compete more effectively with larger ones."

"On the other hand a merger could be detrimental even if it involved no direct reduction in competition, since its effect might be to eliminate a promising source of future competition or to shelter some activities from market disciplines."

On conglomerate or diversifying mergers, Mr. Nott said there was nothing sinister in conglomeracy as such.

He said companies which were merely "shopping around when flush with funds" might lead to "a diminution of competition and no evident efficiency gain." He said a careful assessment by the Commission—although potentially very difficult—might be the best approach in some cases of conglomerate mergers.

Mr. Nott defended in advance his emphasis on the effects of mergers on competition by saying it should not lead to significantly more investigations, "but should ensure that the reasons for an individual reference are more clearly understood."

He suggested it "may also lead the Commission to shift the balance slightly in the number of mergers which they find to operate or to be likely to operate against the public interest."

Appalling weather wrecks schedule

THE APPALLING weather which has plagued this year's Wimbledon championships again wrecked the schedule of play yesterday.

When tennis was eventually possible, it was only on the two show courts, and three hours had already been lost. A start was never made on the other courts before rain set in again just before 5 pm, and the dispirited spectators were treated, if that is the word, to the sight of overworked ground staff replacing the covers they had just removed.

Only two matches could be finished in this short interlude, both on Court 1. John McEnroe, who had been two sets up and 3—3 in the third overnight against the 22-year-old qualifier from South Africa, Kevin Curren, was able to wrap up victory at 7—5, 7—6, 7—6.

JOHN BARRETT AT WIMBLEDON

Officially the match had taken two hours and 56 minutes. But the fact that it started at 2.30 pm on Monday and finished shortly after 3.30 pm yesterday was an indication of the problems that faced the All England Club as they battled to keep the tournament moving and away from a third week.

The conditions could hardly have been more miserable, with damp grass, a troublesome wind and the imminent threat of another downpour.

Both McEnroe and Curren are big servers, and the rallies were generally short and sharp.

Games moved with service. The only time there appeared the slightest danger of a break was when McEnroe was caught at deuce in the 12th game. He got out of trouble with an ace.

Leading 5-4, McEnroe moved to match point with a searing delivery down the middle and clinched victory when Curren put a backhand service return into the net.

McEnroe said later: "It was really cold and raining hard when we went out to play, but obviously they are getting pretty desperate and throwing you out there whether it's raining or not."

Chris Evert-Lloyd, who has not yet dropped a set, was far too experienced for the 15-year-old Andrea Jaeger when she followed McEnroe on to Court 1. She needed only 55 minutes to move into the semi-finals with a 6-1, 6-1 win.

Using the drop shot to devastating effect, Mrs. Lloyd moved her opponent backwards and forwards as if on strings.

Miss Jaeger simply did not have the know-how or the serving strength to hurt Mrs. Lloyd. She never managed to hold her service.

When the rain came the match between Vitas Gerulaitis the fourth seed, and Wojtek Fibak, was argonisingly poised at 6-5 to the Pole in the fifth set. The score represented a marvellous fight-back by Fibak who had lost the first set on Monday evening, and quickly dropped the second when the match resumed on centre court.

From that moment, however, Fibak's cause blossomed. A service break in the sixth game was enough to bring him the third set and he took the fourth by breaking twice, lobbing particularly well in the difficult swirling wind.

The fifth set went to Fibak after an interruption for rain, which lasted just under an hour. The score was 3-6, 4-6, 6-3, 6-3, 8-6.

Knitwear producers urge import controls

BY RHYS DAVID, TEXTILES CORRESPONDENT

KNITWEAR producers have joined other textile industry sectors in demanding much tighter controls over low-cost imports when the General Agreement on Tariffs and Trade multi-fibre arrangement comes up for re-negotiation next year.

The industry employs more than 100,000 people, more than half of them in the East Midlands. It says that against a background of prolonged international recession, textile products subject to the greatest import penetration should have a nil growth rate. The growth of imports generally should be related to demand.

The industry case was presented in London yesterday to MPs representing constituencies with knitwear interests by ? John Harrison, director of the *Knitting Industries Federation* and Mr. Harold Gibson, president of the National Union of Hosiery and Knitwear Workers.

Mr. Gibson said that in the nine months to March some 6,000 jobs had been lost. Short-time working was three times as high as a year ago. Import penetration by value had increased from 14 per cent in 1970 to 33 per cent last year.

The industry's other demands are for quotas to be enforced much more rigorously and for a reduction in the flexibility allowing suppliers to switch from product to product or carry quotas forward into succeeding years. Tougher sanctions to prevent fraud are urged, as well as a social clause insisting that exporting countries comply with International *Labour Organisation minimum* standards.

The industry wants the EEC to include an improved price clause in any bilateral deals with state trading countries. This would protect domestic producers against political pricing of goods. Tighter controls are called for on imports from the EEC's Mediterranean associates and the Lome countries.

Mr. Harrison said that the knitwear industry's problems did not stem from low productivity, over-manning or poor industrial relations. The industry had an outstanding record of productivity improvement and had kept abreast of the latest technological developments.

The gap between wages in the UK and in the main Far Eastern supplying countries was so great that productivity improvements could never hope to close it.

Monet work fetches £150,000

LONDON'S summer series of auctions of Impressionist and modern pictures began well at Christie's on Monday with a total of £2,570,700 and five works exceeding £100,000.

Top price was the £150,000, plus 11.5 per cent in buyer's premium and VAT, paid by Thomas Gibson Fine Art, of London, for Chemin dams les Vignes, Argenteuil by Monet. It was painted in 1872 when Monet sold it for FFr 300.

SALEROOM

BY ANTONY THORNCROFT

A lake scene with mountains, by the Swiss artist Ferdinand Hedler, made £130,000 while Galèrie Schreiner, of Basle, paid £120,000 for Swamp Angel by Max Ernst.

Two works by Monet, one a view of the Thames and Waterloo Bridge, the other of Vetheuil, each sold for £100,000.

A thinned oil and watercolour by Toulouse Lautrec, Cavalier Circassien, sold for £35,000 yesterday. It had been owned by the late Baron Hatvany

Hepatitis cirrhosis link discovered

BY DAVID FISHLOCK, SCIENCE EDITOR

MANY PATIENTS suffering from alcoholic cirrhosis of the liver have previously been infected by the hepatitis B virus, researchers at Glasgow University have found.

This virus, one of the causes of infectious jaundice, may explain the susceptibility of such patients to liver injury from drinking.

The research, which has been funded by Distillers, is reported in an account of research in British universities, published yesterday by the Committee of Vice-Chancellors and Principals of the UK.

The report raises the question whether a vaccine against hepatitis B virus would increase or decrease the likelihood of a heavy drinker developing cirrhosis.

This is one of 25 brief reports designed to show the breadth of research undertaken by British universities.

The reports were chosen from 2,000 submitted at the invitation of vice-chancellors, in an effort to demonstrate the value of university research.

In an introduction, Mr Geoffrey Caston, secretary-general of the committee, says the "financial stringencies" of recent years have harmed university research activities.

The system of dual support through the University Grants Committee and the Research Council has come under "acute strain", he says.

● Sir Henry Chilvers, vice-chancellor of Cranfield Institute of Technology, said yesterday that his two criteria for judging the effectiveness of his university's research were whether the sponsors financed further research, and whether it led to a more sophisticated product, broader product range, greater added value

Research in universities, pp. 55. Available free from 29 Tavistock Square, London, WC1H 9EZ.

A FINANCIAL TIMES SURVEY

Rotterdam

The Financial Times proposes to publish a survey on Rotterdam in its edition of September 1 1980. The provisional editorial synopsis is set out below:

INTRODUCTION The observer's image of the Netherlands' second largest city tends to be dominated by the port. Yet, whilst much of the economic life of Rotterdam does ultimately depend on the port it also has a broad industrial and commercial base.

THE PORT Rotterdam's harbour is the busiest in the world and nearly twice the size of its nearest rival, Kobe, in Japan. However, growth has stagnated in recent years and competition from other North European ports is growing. Ambitious and expensive plans to modernise facilities.

THE ROTTERDAM OIL MARKET The "Rotterdam spot oil market"; how it works and its importance to the oil industry.

GRAINS Rotterdam is an important centre for trading and handling grains and oilseeds. A look at the activities of the shippers and traders.

INDUSTRY Rotterdam is the base for one of the largest concentrations of petrochemical industries in Western Europe. Major shipyards continue to line the river despite cut backs in recent years. The city is also the base for major companies such as Unilever.

THE CITY The business centre is modern though much of the rest of the inner city needs extensive improvement. Rotterdam is the "working city" of the Netherlands but the arts and sports also flourish.

THE ENVIRONMENT The proximity of major industries to large centres of population has produced an intense debate on safety and environmental issues. A big effort has been made to reduce the impact of industry on Rotterdam and its inhabitants.

For further information and advertising rates please contact:
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Wide support for Ferranti sale

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT'S scheme for the disposal of the National Enterprise's Boards stake in Ferranti, the electronics company, received widespread support in the Commons yesterday despite some reservations on the part of the Labour Party.

Sir Keith Joseph, the Industry Secretary, confirmed that he had directed the NEB to sell its shares on condition that the purchasers did not dispose of them for two years without the board's consent.

This effectively maintains the independence of the company for the two-year period.

Sir Keith indicated, however, that he could not guarantee its independence beyond that time.

Mr. Alf Morris (Lab. Wythenshawe) asked for a guarantee of permanent, not merely temporary, independence for the company. He wanted an undertaking that if a competitor took control of Ferranti in two years time, the matter would be referred to the Monopolies and Mergers Commission.

The Secretary of State refused to give such an assurance. He said this would be a matter for the director of Fair Trading who would report to the Government.

He underlined this point later when Mr. Ron Brown (Lab. Leith) also called for real safeguards from the Government to prevent a take-over of Ferranti by GEC.

Mr. Brown said that he had a confidential letter which disclosed that discussions on this subject had taken place.

But Sir Keith told him firmly: "I don't think it is in the interests of either the country or the company for a company to be permanently safeguarded from the bids on the market. It is in the interests of the company and the country that its assets and skills should be better used."

Sir Keith pointed out that the placing of shares at £5.30p each—compared with the market price of £5.96p—meant that they were being sold at a discount of 11 per cent.

The cost to the taxpayer of this arrangement as distinct from selling the shares to the highest bidder cannot be known."

Nevertheless, he stressed that the taxpayer would still be better off to the tune of £50m than if the shares had been left in public ownership.

Sir Keith reminded Labour critics that in directing the NEB to place the shares, the Government had taken into account the views of MPs who, in the recent debate on Ferranti, had expressed fears of a possible take-over of the company.

He also told the House that he had directed the NEB to retain 4 per cent of its holding for Ferranti employees under an appropriate scheme.

Mr. Morris complained that this was not a large enough slice for the Ferranti workers. But Sir Keith argued that it made sense.

It represented 2 per cent of the total shares of the company and would cost the employees about £2m—"quite a considerable sum of money for them to find."

Mr. John Silkin, the Labour spokesman on Industry, was pleased that the Government had avoided the shares being sold to a single buyer who would have engaged in "redundancies, closures, and assets stripping."

That would have been the worst possible outcome. But he was sceptical about Sir Keith's concern for the interest of the taxpayer. It was they who would suffer from the 11 per cent discount, he said.

Mr. Silkin recalled that only three week's ago the Prime Minister had said that the NEB would sell the shares at the best possible price.

But in view of the deteriorating economic climate, he firmly believed that the most sensible course from the industrial, technical and financial viewpoint would have been to leave them in public ownership.

From the Conservative backbenches, Mr. Nicholas Winterton (Macclesfield) described the Government's decision as "an example of true conservatism which believes in private business, small business and a wide distribution of share ownership."

Mr. Ken Eastham (Lab. Blackley) called for safeguards to protect the future of Ferranti's 17,000 employees. But the Secretary of State replied: "The idea of turning a company into a protected sanctuary is deeply hostile to the interests of the workers themselves and the people of this country."

Mr. Cyril Smith, the Liberal spokesman, praised the Government's move and said that the 4 per cent shareholding for employees showed that on occasions the Government was not afraid to intervene in industry.

Mr. Peter Emery (C. Honiton) thought the decision would be particularly welcomed by sub-contractors who had feared a rundown by the company.

Assent on Transport Bill

By Lynton McLain

THE GOVERNMENT'S Transport Bill, which allows for the de-nationalisation of the National Freight Corporation and freedom for express coach operators to run cheap, competitive services, received the Royal Assent late on Monday evening, and is now law.

The Royal Assent for the Transport Bill marks the first stage in the first de-nationalisation of state assets promised by the Conservatives in their election manifesto in May last year.

Mr. Norman Fowler, the transport minister's, first action under the Transport Act 1980 was to register a new name for the freight corporation.

The National Freight Company Ltd. was registered by the Registrar of Companies on Monday with a nominal capital of £1,000.

This is a prelude to the Government setting up the corporation as a company under the Companies' Act, eventually offering shares for sale and—at a time to be decided by the Minister—selling most and possibly all of the Government's stake in the new company.

However, the depressed state of the freight haulage market—the main operating sector for the National Freight Corporation—is expected to force Mr. Fowler to delay the sale of shares.

Smaller companies in the industry are facing bankruptcy as demand for haulage services falls in line with the reduced demand for consumer and industrial products.

But some of the Transport Act's reforms for express coach services, commuter coach services, car sharing, local bus services, trial areas for licence-free operation of all services and school buses will come into effect on October 6.

The Act lifts restrictions on express coach service operation which have existed for almost half a century. Operators will no longer need permission to run a service.

This is expected to open up many of the long distance coach services, such as the motorway services between London and Birmingham to as many operators as wish to run coaches, provided they meet safety standards.

However, the measure has been criticised because it may force large companies to withdraw services on loss-making rural routes to concentrate on fighting competition on the express routes.

Restrictions also come off the licencing of excursions and tours. Commuter services involving eight seater coaches will also be possible, without licences for the first time.

Local education authorities will be able to use a school bus to carry fare paying passengers as well as pupils travelling free. They can also use their own school buses to provide local bus services for the first time when they are not being used on school journeys.

Joseph firm on taxpayers' cash limits for INMOS

BY IVOR OWEN

ANOTHER FIRM indication that the Government will take a lot of persuading before agreeing to commit more taxpayers' money to INMOS—the microchip project—was given by Sir Keith Joseph, the Industry Secretary, in the Commons last night.

Up to £50m of additional public money could be needed, he warned, if the "go ahead" was given for a British location for INMOS.

Sir Keith confirmed that the National Enterprise Board is expected to complete its review of the case for a British location within the next two or three weeks.

"If the NEB made a favourable recommendation he said, the Government would have to consider the risks, including the fact that the project might or might not be a success.

"The further development of INMOS in this country at taxpayers' expense is not so obviously indispensable that we should close our minds and say an automatic Yes," he declared.

Sir Keith emphasised that INMOS was not a talisman nor a shibboleth.

"If the decision falls to the Government, we shall have to make a prudent decision on behalf of the taxpayer," he stressed.

Mr. John Silkin, Labour's Shadow Industry Minister sharply attacked Sir Keith for dithering and hesitating over committing further public funds to the INMOS Project.

He suggested that the basic cause of the delay was Sir Keith's philosophical objections to INMOS springing from the fact that it was the Labour Government which first accorded the project assistance from public funds.

To Labour cheers, Mr. Silkin protested. "Sir Keith understands the importance of microelectronics to the country, yet in his heart he does not want INMOS to succeed because it is totally disputative to his own philosophy."

Mr. Silkin moved an Opposition motion urging the Government to accept the advice of the NEB last December and to make available a second tranche of £25m necessary for creating a British capacity in microelectronics.

He warned of the dangers of failing to develop a British capacity. There was no guarantee that American or Japanese microchips would always be available, he said.

Defending his approach, Sir Keith explained that the Government had asked the NEB to seek private capital for the second tranche for the INMOS project.

SILKIN: "Sir Keith does not want INMOS to succeed"

There had been "flickers of interest" from the private sector in recent months, but these had not been carried through to fulfilment.

The NEB had then sought time to review the prospects for the development, and that process was not yet completed.

Intervening from the Opposition backbenches, Mr. Eric Heffer (Lab., Liverpool Walton) claimed that the reluctance being shown by private enterprise demonstrated that it had no confidence that the Government would help the industry.

"They have no confidence in the future of industry because of this Government's policies," he contended.

Sir Keith replied: "This is a very risky project. The firms concerned considered whether it would be a sensible, prudent investment.

"So far they have decided it is not."

Sir Keith added: "There may come a time when a private partnership may depend upon whether the entrepreneurs are willing to re-negotiate the scale of their equity interest in the company."

Sir Keith told MPs that much of the six months delay which had occurred since the NEB decided that a review was necessary had been caused by the "complete surprise" at the decision of INMOS that Bristol should be the first British location.

It was right that the Government, if the project was to be financed by the taxpayer, should consider whether it should go to some other area which was crying out for employment.

The Labour motion was defeated by 312 votes to 251 votes, a Government majority of 61.

Tory backbenchers may question Prior

MR. JAMES PRIOR, the Employment Secretary, may be summoned to appear before the 1922 Committee of Conservative backbenchers tomorrow to make a final defence of his step-by-step approach to trade union legislation.

About 40 Tory Right-wingers last night handed a letter to Mr. Edward Du Cann, the chairman of the committee, asking him to insist on Mr. Prior's attendance at this week's meeting as a matter of urgency.

They maintained that Conservative MPs had not had a proper opportunity to discuss the amendment on trade union immunities introduced into the Employment Bill in the spring.

Yet it was clear, from representations made by organisations outside Parliament, they claimed, that the Bill did not go far enough, and failed to fulfill the party's manifesto commitment.

The move is the latest development in the Right's long-running campaign to tighten up the Bill, and is aimed at getting the whole question of trade union reform raised in Cabinet again before the summer recess. It comes at a time when the Government is, in any case, preparing itself for trouble on the Employment Bill in the Lords next week.

The Tory Whips in the Lords seem reasonably confident that the Government will escape defeat next week when Conservative Right-wingers and crossbench peers are expected to get together to press an amendment on the closed shop. But the protest vote may well be a large one and add to the pressure on the Government to commit itself to tougher action in future.

Mr. Prior succeeded in fighting off backbench criticism of his Bill in February when he last appeared before the 1922 Committee. But he did have to promise a green paper on Trade Union immunities later in the year to defuse criticism.

The Right-wingers now want this commitment to a green paper hardened up to a definite commitment to legislation.

Given his success at his last appearance at the committee, Mr. Prior would prabably accept a repeat invitation if asked to attend by Mr. Du Cann. His colleagues deny the inference in the letter sent to Mr. Du Cann last night that be has deliberately avoided attending

Nevertheless, it would not make Mr. Prior's efforts to mainmain the step-by-step approach to union reforms if the '22 Committee showed that it was clearly dissatisfied with the Bill.

Labour row on Europe brewing

BY ELINOR GOODMAN, LOBBY STAFF

A ROW was blowing up in the Labour Party yesterday over today's debate on Europe. Pro-market Labour MPs were furious at a last minute decision to upgrade the whip on today's debate from two line to three.

Originally, some pro-marketeers had been hoping tactfully to absent themselves today rather than vote against a motion which they basically agreed with. But the imposition of a three-line whip means they would be in breach of party discipline, if they refused to vote with the Opposition.

The debate is technically about a whole series of EEC documents but will concentrate on the refund on Britain's contribution to the Community negotiated by Mrs. Thatcher in Venice.

The Opposition amendment will claim that the refund negotiated is less than half the "broad balance" which the Commons voted for before the Venice summit. It will also point to the outstanding problems on fishing policy.

Pro-market members of the Shadow Cabinet had, apparently, been prepared to go along with this amendment. But some of the committed Europeans on the Labour backbenches felt it would be hypocritical to vote against the Government "take note motion."

On Tuesday night, however, the whip was stepped up to a three-line whip. When they heard of the decision a group of pro-marketeers went to see the Labour whips and warned that they were not prepared to support the Labour amendment.

Afterwards, they were optimistic that the whip would be down-graded back to two. But yesterday afternoon MPs were once again being told that it was a three-line whip and that no pairs would be allowed.

The situation was still in a state of flux last night and there was still a possibility that the whips would agree to take off the three-line whip.

The argument comes at a time when all the old painful divisions within the Labour party over Europe have been opened up again by renewed calls for Britain's withdrawal from the Community.

Thatcher signals end of Clegg

THE PRIME MINISTER signalled the ultimate demise of the Clegg commission on pay comparability yesterday.

Mrs. Thatcher told the Commons during Questions: "I do not think the life of that commission will be indefinite."

However, she conceded that Professor Hugh Clegg, who is to retire later this year, has done "the very best job he could" under his terms of reference.

The Clegg Commission had been asked to compare things "which were basically incomparable," Mrs. Thatcher told the MPs.

Former Tory Cabinet Minister Mr. Geoffrey Rippon condemned Clegg as "a disaster" and said the doctrine of comparability was "dubious."

He urged Mrs. Thatcher to "say thank you and goodbye to Clegg and Boyle so we can have a realistic incomes policy in the future."

● The Prime Minister said yesterday she "deplored" the call made by a new ethnic organisation for coloured people to cease co-operating with the police.

She told MPs during Questions: "It cannot be in the interests of any group to withhold co-operation from the police."

Mrs. Thatcher said she totally deplored the advice, which had come from "extremists" in the newly-formed group.

Callaghan urged 'sack frontbencher'

MR. JAMES CALLAGHAN was urged yesterday to dismiss Mr. Tom Pendry as a frontbench spokesman if he goes ahead with his plans to attend the Moscow Olympic Games.

The call came from Mr. Nicholas Winterton (C., Macclesfield), who said: "Here is a Shadow Minister stabbing the West in the back. While one can understand that some athletes may want to go to Moscow, there is no justification for a member of the House of Commons to do so in the present circumstances.

"The Soviets will use the presence of a Shadow Minister for propaganda purposes. It is a disgraceful decision. I have asked Mr. Callaghan to sack Mr. Pendry from the frontbench if he persists in going."

Mr. Pendry, MP for Stalybridge and Hyde, is spokesman on Northern Ireland with special responsibilities for sport.

He said: "My main reason for attending the Games is that I believe in the Olympic ideal and I am opposed to the strong-arm tactics of the Government, those in big business and others who have been responsible for bullying our athletes and sports administrators over the past few months."

Mr. Pendry, a former colonial boxing champion, added: "My decision to go to Olympia—because when the Olympic flag is raised, it is no longer Moscow but Olympia—is therefore a sporting one.

"I I can be of any assistance to those either representing or supporting our country at the Games, then I will be only too willing to do so."

● Britain appears to have received a dusty answer from the Soviet Union to its complaints that the Rusian authorities have been harassing British visitors to Moscow.

A Foreign Office spokesman said yesterday: "Our Ambassador, Sir Curtis Keeble, was called to the Soviet Foreign Ministry. The Soviet response sought to reject the complaints made a fortnight ago."

Britain asked the Russians to investigate alleged complaints of harassment and assault of British citizens and provided details of at least 10 specific cases.

The Russians apparently replied in general terms and the Foreign Office sees this as a rejection of the complaints. Ministers are now considering what to do next and a statement is likely in Parliament shortly.

The Foreign Office publicised the protest to the Soviet Government on the day Lord Carirngton made a renewed appeal to Britain's Olympic athletes not to go to the games.

The Foreign Office protest was seen as a warning to British tourists who are thinking of travelling to Moscow for the Games.

Prior attacks critics of Employment Bill

BY JOHN LLOYD, LABOUR CORRESPONDENT

MR. JAMES PRIOR, Employment Secretary, yesterday turned angrily on critics who complained that the Employment Bill did not go far enough in discouraging practices like the closed shop and secondary picketing.

Mr. Prior was speaking to the bi-monthly council meeting of the Managerial, Professional and Staff Liaison Group—which takes in managers' and staff associations which do not affiliate to the TUC. His remarks were clearly also addressed to critics in his own party, to whom he referred.

Mr. Prior said there was no point in passing laws on the closed shop, or any other measures, which were "completely unworkable"—as had happened under the 1971 Industrial Relations Act.

Pressed by some members disappointed that the closed shop had not been outlawed, or dramatically curtailed, by the Bill, Mr. Prior shouted: "Who were the people who did not enforce the 1971 Act? Management and the employers. What the hell's the use of that? I'm not going down that road again."

Mr. Prior referred to the case of Express Newspapers, which had drawn back from taking legal action against the National Society of Operative Printers, Graphical and Media Personnel after the union had disobeyed the terms of a court order. The Express had taken the order against the union issuing directives to its members to come out on the TUC's Day of Action on May 14.

"Did the Daily Express take further action against NATSOPA? Not a bit of it. Why not? Because they did not wish to lose more days' production.

"I fully support the action of Express Newspapers in not pursuing a purely legislative solution. Long experience must have taught the British people by now that legislation must carry the consent of the people on whom it is to operate.

"Perhaps the easiest thing is to write measures in to a manifesto. The hardest thing is to carry them out, and don't I know it?" said Mr. Prior.

Earlier, he said the Bill imposed "very considerable restrictions on damaging secondary action." The changes proposed would limit such action to that which was targeted directly on business being carried out with the employer in dispute, during the dispute.

He said some Conservative Party members had wanted to see further action, but it had been decided to limit it to these changes. A green paper on trade union immunities would be published later in the year, together with codes of conduct on the closed shop and on picketing.

Mr. Prior said the Government had carried out its manifesto pledges "to the letter. We are trying to do everything we can to strengthen the position of management. We believe that one of its most important tasks is to regain control and to exercise managerial prerogative."

NUR bid to restore Labour proscription

By Philip Bassett

THE National Union of Railwaymen yesterday called on the Labour Party to reintroduce its list of proscribed organisations whose political beliefs are incompatible with party membership.

The annual conference of the NUR in Guernsey committed the union by 54 votes to 18 to submitting a motion to the party conference calling for the reintroduction of the list. Though it is too late for a motion to be tabled for this year's party conference in Blackpool, the NUR will raise the issue with the party's National Executive Committee.

The issue of the proscribed list is one of the most politically sensitive in the party. The list was introduced in the 1930s, mainly because of the wide-spread influence in the party of the Communist Party of Great Britain, both openly and in the form of front organisations.

In 1973 the NEC recommended to the annual conference that the list should be abandoned. It had become out of date and organisations not listed had drawn the conclusion that they were allowed to operate in the party.

NUR conference delegates said yesterday because of the spread of such far Left groups in the party as the Socialist Workers' and Workers' Revolutionary parties, the International Marxist Group and Right-wing organisations such as the Social Democratic Alliance, the list ought to be reactivated.

Others though said the reintroduction of the proscribed list would take the party back to the days of witch-hunting. The party was broad enough to encompass various shades of political opinion.

Mr. Sid Weighell, NUR general secretary, urging a unanimous vote in favour of the resolution, attacked both the NEC and various mainly Left-wing organisations over the issue.

"I am bound to say that constituency parties have not been helped in recent years by the attitude of the NEC because there are influential elements in the NEC who now put forward the view that anybody, irrespective of heir political views, is welcome in the Labour Party if they wish to operate within our organisation."

Railwaymen warn private buyers

BY PHILIP BASSETT, LABOUR STAFF

THE NATIONAL Union of Railwaymen yesterday made a firm effort to deter private companies from buying into British Rail subsidiaries. Some of their shares are to be offered for sale, later this year.

Mr. Sid Weighell, general secretary, warned prospective purchasers of shares in British Transport Hotels that the NUR had 100 per cent membership in British Rail's hotel business.

If new private owners, often used to dealing with largely unorganised hotel workers, attempted to ignore the NUR, the hotels would be "blockaded and barricaded" to prevent the movement in or out of supplies and staff.

Proposals to denationalise at least parts of BTH, Sealink and the railway's Property Board are expected to be presented in a Bill which is aimed to be on the statute book by the autumn.

While recognising the Government's determination to sell off part of the industry's non-rail interests, Mr. Weighell warned that it might be enough to force the NUR away from key productivity talks now in progress.

He said that Sir Peter Parker, chairman of British Railways Board, who will address the NUR's annual conference in Guernsey today, had told him during the union's last pay year that the board might have to sell off its shipping, property and hotel interests simply to meet its wages bill. Mr. Weighell believed the board's financial position was still as pressing.

Even so, the conference yesterday decided both to draw round an unspecified but substantial pay claim for next year, with the proviso that it should be for an increase of no less than the inflation rate, and to increase the price of its agreement to the board's efforts to improve efficiency in the industry.

Blanket disciplinary clause covers 11m unionists

BY OUR LABOUR STAFF

IN A study of rule-books for 79 of Britain's principal trades unions, 63 of the unions, with more than 11m members, had a blanket clause covering disciplinary action for unspecified offences.

According to the study, by London School of Economics and carried in the Government's Employment Gazette, the most common is a rule protecting the union from action detrimental to its or its members' interests.

In most cases a blanket clause is accompanied by rules detailing specific offences. Some unions also issue guidelines to officials on how to apply rules in particular cases.

Half the unions were able to levy fines. Nine unions had no limit, 11 could levy £50 and more, and 14 could not fine more than £10.

In 38 of the 79 unions the branch had disciplinary power and in four cases this had to be ratified by the executive council. There was considerable variation in members' rights during disciplinary hearings.

The great majority of unions studied had an entry requirement. Those of the craft unions tended to be more precise. The Sheet-Metal Workers' Union, for example, specified 31 occupational categories eligible for recruitment.

All unions studied reserved the right to reject applicants for reasons other than failure to meet entry requirements.

The United Road Transport Union requires applicants to be of steady habits and good moral character. The National Union of Seamen has a comprehensive list related to the work environment. It can, forexample, exclude anyone whose presence on board ship could be in the union's view prejudicial to the safety and well-being of others.

Recognition bid fails

AN ATTEMPT by the white-collar section (MATSA) of the General and Municipal Workers' Union to secure recognition at the Glasgow-based Reo Stakis hotel and catering organisation has failed to win the backing of the Advisory Conciliation and Arbitration Service.

Decision on Proms likely

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE BBC's board of governors is likely to decide tomorrow whether this year's Promenade concerts will go ahead. They are due to begin on July 28.

The series is threatened by the Musicians' Union's blacking of live music on the BBC, in protest at the corporation's plans to disband five orchestras.

The Advisory, Conciliation and Arbitration Service has seen both sides in the past few days. It said they remained "as far apart as ever" and there was no basis for joint talks.

Mr. John Morton, the union's general secretary, said last night that the corporation could still broadcast the Proms, if it dropped the plans to axe the orchestras and took the matter seriously.

S. Wales pitmen to resist closures

BY ROBIN REEVES

SOUTH WALES miners' leaders will arrive at next week's national annual conference totally opposed to pit closures.

Speaking after a meeting of the South Wales executive committee, Mr. Emlyn Williams, the region's president, said that following pithead meetings covering every shift, the area's 26,000 miners unanimously backed a policy of all-out resistance to colliery closures resulting from increased coal imports and/or loss of markets.

He stressed his officials had made a special effort to establish the depth of rank-and-file support after last February's debacle, when a call to strike in support of the steelworkers was rejected.

He was in no doubt the mood was now very different. South Wales miners would be seeking the backing of all other British coalfields for a united stand, in line with the National Union of Miners' official policy of opposing pit closures except where coal reserves are exhausted.

The fate of the Tymawr Lewis Merthyr colliery in the Rhondda Valley is at present in question. The Coal Board has already announced it wants this loss-making pit to close. But following a row, and the intervention of Mr. Joe Gormley, NUM national president, its position is being investigated by two mining engineers representing the two sides of the industry.

This compromise has not prevented Welsh union leaders from sticking to their boycott of the National Coal Board's joint pit review until the closure threat to Tymawr Lewis Merthyr is withdrawn. This action has held up investigation at a number of other pits.

The Welsh miners' anti-closure policy has been sharpened by recent suggestions that Mr. Ian MacGregor, BSC's new chairman, wants to close one of the two major South Wales steelworks, with a consequent loss of coking coal market.

Port Talbot steelworks already relies entirely on imported coking coal. Closure of the other steelworks, Llanwern, thought to be the more likely victim, could reduce Welsh coking coal usage by a further 1.4m tonnes a year, putting up the number of threatened closures in the coalfield from about 12 to 20 collieries.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● HANDLING

Conveying loads in pipelines

PNEUMATIC conveying test facilities, capable of handling a range of materials in dense and pulse phase flows, are under construction at BHRA Fluid Engineering. The rig will be used to study the effects of conveying conditions on transport characteristics, as well as on the materials themselves.

Pneumatic pipelines are compact, economical, environmentally desirable, and can be easily automated. The advantages of this method of transport could be extended to a wider variety of products and materials if the conveying conditions could be optimised, while improved techniques (e.g. dense phase) could eliminate disadvantages and restrictions encountered with particular substances when using present methods. Certain agricultural products and feedstuffs, some chemicals, organic polymers, and minerals could benefit.

BHRA's rig consists of a 2.4 cubic metre bottom-discharging blow-vessel; a receiving silo of comparable volume, a bag filter system, and transport pipe of 83 mm bore, the length of which can be changed readily but which has a maximum of about 75 metres at present. The facility incorporates a return system so that the material under investigation can be used for subsequent runs, if required. The delivery of solids from the conveying pipe can be monitored, while air flow to the rig, pressures in the vessel and auxiliary air feeds can be measured. Contributions to the test programme to date include the equipment and operating expertise supplied by ICI, and the purpose-built air supply which is being provided at reduced cost by CompAir Industrial.

In parallel with the installation of this test facility, BHRA is undertaking a technical review and market survey, principally in the UK, to define future research and development needs in the pneumatic conveying industry. Some companies have already indicated their interest, but BHRA would like to hear from others who could benefit from this work.

Further details from BHRA Fluid Engineering, Cranfield, Bedford MK43 0AJ; telephone 0234 750422.

● PRINTING

No need to buy new presses

IT IS now possible to convert newspaper letterpress equipment to offset with a system developed by Dallas-based Publishers Equipment Corporation supplied in the UK by TRH Graphics, 66, King Street, Southall, Middx. (01-571 2116).

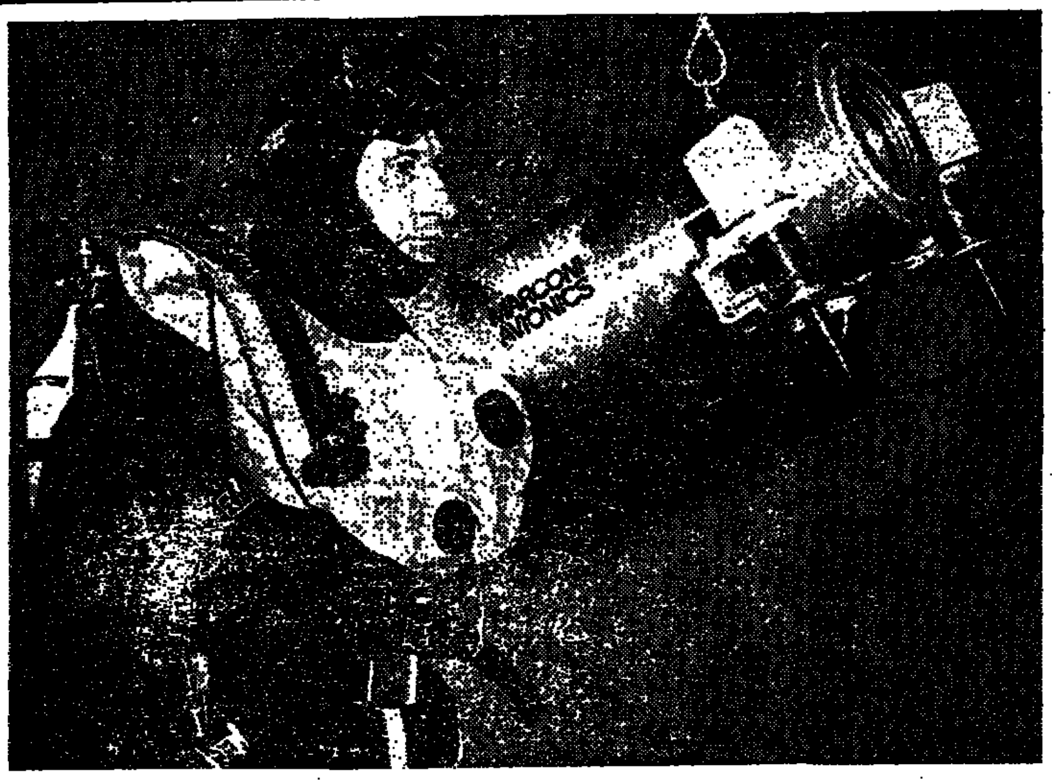
First prototype of a PEC inserted unit was installed last December at the New York Times 43rd Street pressroom and resulted in a $20m order to install a further 71 systems.

Normally, the full change from letterpress to offset means a new press, new foundations (sometimes a new building or extension) all of which add up to high installation costs.

Changeover is minimal, and the basic structure of the press is unchanged when the PEC system is installed on an existing letterpress machine and this method of conversion costs something like a third or a quarter of the outlay needed for a new offset press.

Conversion is effected by replacing the letterpress cylinders with four offset ones packed closely together.

Narrower current newspaper web widths provide space between existing side frames to insert the new units which consist of new auxiliary side frames, gears, bearings, and form rollers with necessary throw offs and shortened cylinders.



Marconi Avionics' new underwater TV camera which enables scenes to be monitored in natural colour and can provide data vital for the safe maintenance of underwater structures and ships' hulls. The camera can be diver-held or remotely controlled, and has a working depth of 1,000 feet. Designer of the camera, the latter is the main element in Marconi Avionics' VF 1000 underwater TV system, is Doug Howick (in picture) principal technologist in the company's electro-optical advanced systems division at Basildon, Essex.

● PROCESSING

Extraction of solder made easy

CIRCUIT Plating Equipment can supply a solder extractor that enables 14, 16 or 18-pin electronic components to be desoldered from printed circuit boards in a single operation.

Compact and lightweight tool, it is designed for single-handed use and incorporates a 50 watt, temperature-controlled soldering instrument with an interchangeable head, and a push-button operated vacuum chamber. It requires connection to a vacuum pump.

In use, the desolderer is placed so that the head fits over the soldered joints on the underside of the printed circuit board. As soon as the solder flows, a press of the push button draws the molten solder into the body of the instrument, enabling the component to be withdrawn from the other side of the board, and leaving the holes clear.

Circuit Plating operates from Cheapside House, Buckhurst Hill, Ascot, Berks. 0990 25049.

● COMPUTERS

BASF to market Hitachi units

AFTER NEARLY a decade in which IBM plug compatible disc and tape drives have been offered, followed by an entry into the desk top microcomputer market last year, BASF, essentially known for its magnetic materials, has now come to an agreement with Hitachi by which it will offer the Japanese company's computers in Europe and South America.

Known as the 7-Series, the machines are described as 100 per cent IBM-compatible and it is claimed will offer a 15 to 20 per cent price advantage in relation to IBM equivalents.

This Japanese-German combination joins Amdahl, Magnusson and others in offering lower cost alternatives to the original IBM product at a time when the general economic climate might seem unfavourable. In fact, the company sees tight customer budgets as an advantage in that cheaper machines to meet the same requirements will be in demand.

Considerable emphasis is also being placed on the permanency of two big German and Japanese companies with well known names.

All leasing will be through BASF's internal sources and the company says it will upgrade customers' machines without penalties. It also emphasises that it can now provide complete packages of mainframes and peripherals, echoing the recent proposed Amdahl/Storage Technology Corporation merger, now called off.

The range begins with the 7/60 which can execute 1.2m instructions per second (mips), said to be equivalent in processing power to the IBM 3031 but offering "advantages in size, weight and power consumption."

At the top end will be the 7/70 of which there are three models ranging from 2.2 mips, field upgradeable to 5.25 mips, as well as the 7/80 series consisting of two central processing units providing from 8 to 10 mips.

All the machines are air-cooled and so eliminate expensive plumbing.

BASF United Kingdom is at Haddon House, 2 Fitzroy Street, London W1P 5AD (01-637 8971).

● TEXTILES

Nylon carpet dyed by novel method

SNIA Viscosa has developed a new method of dyeing nylon carpeting which, it believes, will make a considerable impact in this area of the furnishings industry.

It is simple, rapid and economical and does not require the installation of special equipment, the company reports. Work to develop the process was carried out using SNIA Viscosa's Lilion nylon fibre.

Compared with the traditional approach to dyeing nylon carpets, the Italian group's development offers a very considerable reduction in energy consumption due to the sharp drop in the operating temperature required from 100 to only 60deg.C.

A shorter dyeing time also ensures about 30 per cent greater throughput per machine. At the same time, the company claims an improved handle and a more uniform appearance for the finished product, in other words, a worthwhile improvement in quality.

The company and carpet factories have been subjecting the process and its products to long and stringent tests. Carpet manufacturers have begun to use Lilion staple fibre for the production of wall-to-wall carpeting of the piece-dyed velour type.

Snia Viscosa, Ufficio Stampa, via Montebello 18, 20121 Milano, Italy. Telephone 6332.

● QUALITY CONTROL

Eases X-ray problems

AUTOMATIC X-RAY inspection which allows individual packages to be engineered to perform dedicated tasks is available from Peerless Control Systems of Milton Keynes.

ART (Automatic Radiographic Testing) uses computer techniques to scan, interpret and sequence the results of an X-ray examination. By combining a matched TV camera with an image intensifier and controlling the X-ray equipment from the computer, high quality TV pictures are displayed for immediate visual inspection, for computer comparison with known standard components, or for wall thickness checking by means of image density grading.

Dedicated inspection programmes can be stored on floppy disc or ROM and test results can be taped for future analysis or reference.

In operation, ART can use any source of ionizing radiation, including isotopes although best results are obtained with small focal spot, constant potential units. Image intensifiers can be supplied with input windows of 6 in, 9 in or 12 in diameter. They convert the received X-ray image into electrons for amplification and then reconstitute the electronic picture into a visual display.

The ART system camera is spectrally matched to the output phosphors of the image intensifier.

Peerless Control System, 43 Potters Lane, Kiln Farm, Milton Keynes. MK11 3HQ. 0908 68383.

● HORTICULTURE

Answer to problems of cloches

Melbourne is an English village which has given its name to a new type of field frame. This could revolutionise plant propagation for the commercial grower and the private gardener.

The Melbourne frame is stoutly made of galvanised steel tube, with a PVC cover. Stronger and a better insulator than polythene, the PVC is claimed to be an excellent transmitter of natural light and to protect crops from frost down to −6 degrees C.

But the patented and unique attribute of the frame is its capacity for self watering and self ventilation, which is achieved by U-shaped cuts in the plastic.

These cuts or tongues open up to admit rain or irrigation water, and act in the same manner to distribute evenly water formed by condensation. They also act as a ventilation system. When the temperature rises, the plastic softens and the tongues allow warm air to escape. When the temperature cools, the tongues close again.

The necessity frequently to move the frames is thus avoided, resulting in high labour cost savings, and a number of experimental horticultural stations are currently evaluating the product.

Further information from Spyra (Burton), Burton Road, Castle Gresley, Burton-on-Trent. 0283 221674.

Atlas Copco compressed air systems.
A force put to work for you.
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Air Systems Technology for Generations To Come.

● SERVICES

Hot melt adhesive systems

AN ADVISORY service on the use of foamed hot melt adhesive systems has been established by Borden (UK), in response to general interest in this new process.

The company believes that there is exceptional potential for this technique, having carried out development work and field trials using Nordson Foam Melt equipment specifically designed for this purpose. Results indicate that foamed hot melts give technical and production benefits that make them suitable for many applications where previously other adhesive has been preferred.

Among the significant advantages foamed adhesives have over normal hot melts are: increased open time plus faster setting; improved spreading and wetting; and reduced adhesive consumption. These are achieved by foaming the adhesive with an inert gas, typically carbon dioxide. Initially the gas bubbles have an insulating effect which reduces heat loss and increases open time. Acting as a diluent the gas reduces viscosity and increases volume, to give better coverage and penetration. After compression the foam collapses to leave a thin glue line which sets quickly and gives excellent adhesion.

The economic benefit of the reduction in adhesive use—which can give savings of up to 20 per cent depending on the application—is the most obvious feature but Borden believes that the technical factors will be the more important in developing the applications of hot melt adhesives.

It is particularly this prospect of widening the uses of hot melts that has led Borden (UK) to set up a consultative service, to be provided by the Research and Development Laboratory.

Users wishing to evaluate foamed hot melt systems should contact R. Balfour, Research and Development Laboratory, Borden (UK) Limited, North Baddesley, Southampton.

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QANTAS
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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Lifting the veil on the fast-growth entrepreneur

BY GRAHAM RAY AND PATRICK HUTCHINSON

OCCASIONALLY, the Social Science Research Council generates criticism because of its funding of rather esoteric projects. One project that recently raised eyebrows was "Changes in kinship and sex roles in a modern Polish village."

The relevance and usefulness to the nation's needs of many SSRC-backed projects can easily be defended, however. One that can is a recently-completed investigation at Bath University into the financing and financial control characteristics of those entrepreneurs who start from small beginnings and grow rapidly until their companies are publicly quoted.

The investigation confirmed the view that has been emerging over the past two years or so—and that is that no funding gap exists. It also revealed some other significant findings, such as the need for different evaluation techniques to assess "fast movers." It discovered that fast-growth entrepreneurs are much more preoccupied with growth than with retaining their independence: and that although they quickly develop management teams, they lead them in an autocratic manner.

In view of the expressed faith of the present Government in the power of small firms to relieve the problems of unemployment and its determination to change the environment in favour of entrepreneurs, this project at least escapes any charge of irrelevance.

The research has been funded in two stages. The first stage was a pilot study, started back in 1972 and financed by the Esmée Fairbairn Charitable Trust. This involved the construction of six detailed case studies of small rapid growth companies. The second stage, which began in 1976, has been financed by the SSRC and is a retrospective analysis of the financing and financial control of small growth companies which went public between April 1963 and March 1973.

The findings of the Esmée Fairbairn pilot study suggested that small companies which grew to flotation have extreme financial profiles in terms of accounting ratios; since they are highly illiquid, highly profitable and highly geared. This was confirmed in the larger SSRC Bath study.

The Bolton Committee Report had earlier provided data on the illiquidity of fast growing small firms and the importance of the Bath study is that it provides evidence on rapid growth companies after they have outgrown the definition of "small" made by the Bolton Committee. The Bolton figures give an indication of what may be expected for small growth companies but those in the Bath sample emerge as even less liquid, even more profitable and more highly geared than expected.

When the accounting data for the matched sample of small firms which did not grow to flotation becomes available, it is hoped this can be used to predict which small firms are likely to grow to public quotation size and which are not. In the meantime, if the findings of E. I. Altman's American study of the prediction of bankruptcy are applied to the Bath sample, a majority of these extremely successful companies would be classified as bankrupt in at least one of their years up to flotation. This illustrates the need to develop a new yardstick which takes into account the particular features of small firms which grow to public quotation size and those which do not.

So far as financing is concerned the most important point arising from the questionnaire data is the fact that, while the small companies which did not grow to flotation were less successful in raising finance and were more likely to experience financial stress, they did not express any greater complaint about the availability of finance or financial advice than those which did grow to flotation.

Availability of advice

The questionnaire data confirms the observations of the Bolton Committee that there is no "finance gap" regarding financial facilities for small companies in terms of sources of finance nor in terms of availability of financial advice. On the other hand, the fact that small companies which grew to flotation did have distinctive financial profiles could mean that effective loan evaluation techniques could be developed which would enable lenders to assess more accurately the credit-worthiness of small companies.

Financial institutions traditionally argue that they invest in individuals rather than in accounting statements, however these might be analysed. From this point of view, the analysis of the questionnaire data on financial control shows distinct differences between the results of the Bolton Committee and that of the rapid growth entrepreneurs. For instance, the evidence of the Bolton Committee Report emphasised the underlying motivation of their respondents as the need to attain and preserve independence.

The evidence from the Bath small rapid growth company is strikingly consistent and, by comparison, strikingly different from that described by the Bolton Committee. The objectives of maximising profits and increasing turnover are firmly stated throughout the period and apply just as firmly in the early days, when the companies were struggling to avoid making losses, as later when a public quotation had been obtained.

So far as the structure of the organisation of the small company is concerned, the Bolton Committee commented on its simplicity and its direct dependence on its proprietor. The evidence of the Bath small rapid growth entrepreneurs is different. At a very early stage, in a minority but in an increasingly significant number of companies, a subordinate managerial structure existed. In our interviews a vast majority of companies identified the creation and maintenance of a team as a crucial factor in their success; this allowed them to deal with their rapid growth.

The Bolton Committee identified poor cost control, poor costing data and inadequate financial records with small companies.

Our findings for our small rapid growth companies are quite different. From the early years a significant and increasing minority of companies were structured into expense centres and profit centres; and in the period of rapid growth leading to flotation, this comment applied to a majority. It is quite clear that there is a close connection between the successful management of rapid growth and the use of accounting information since these companies managed on the basis of extensive historical and forecasted financial information.

From the early years, the elements of historical profit and loss account and balance sheet were reported upon, for the most part monthly or weekly. In the take off and rapid growth period prior to flotation this substantial base of regular monthly historical information was reinforced by an increasing tendency to produce regular monthly forecasted information.

This substantial base of historical and forecasted information gave sound credit control, stock control, product cost control and in particular control over cash flows, from the early days when many companies were making losses and also during the period of exceptionally rapid growth.

The regular supply of this financial information could not have been achieved without access at a very early stage in development to both data processing facilities and also to an accountant, who first of all acted as a "score-keeper" and provided regular and detailed historical information and then, particularly in take off period, provided an increasing volume of forecasted information. In all of these respects our small rapid growth companies are remarkably different from the average described by the Bolton Committee.

The general impression given to the Bolton Committee was one of extreme caution, bordering almost on timidity in the sphere of finance.

This is not a description which follows from the evidence collected from our small rapid growth companies. In our case, the clear identification of cash flow as the key variable to be controlled together with an emphasis on expanding and controlling sales, reinforced by detailed information, both historical and forecasted, gives an impression not of timidity but of outstanding confidence to deal with the problem, carefully identified, and deliberately planned, of managing the financial consequences of overtrading. The characteristics are not those of deliberately seeking out the quiet backwaters but rather joyfully seizing on the opportunity to shoot the rapids in a bath-tub.

Short-term credit

In summary, the rapid growth companies which we researched were highly illiquid, highly profitable and highly geared. Great reliance was placed on short-term credit, mainly from trade suppliers but the successful companies managed their overtrading by developing appropriate organisation and control systems. Although there was no evidence of a finance gap for those taking part in the research, nonetheless a danger does exist that companies displaying such symptoms of overtrading might be diagnosed as potential bankrupts.

It is important, therefore, that financial institutions and business schools, possibly in collaboration, search for ways of identifying these rapid growth entrepreneurs and for developing their talents, thus ensuring successful financial investments and also, from the Government's point of view, successful employers.

Dr. Graham Ray, chartered accountant, University of Bath and Patrick J. Hutchinson, University of New England, Australia, carried out the investigation at Bath University. Further details of the findings are available from the SSRC.

Why Lucas gave Korea a novel injection

BY PHILIP BOWRING

With the British motor industry at a low ebb many component manufacturers are increasingly having to turn their attention overseas. One example is the attempt by Lucas CAV, the UK's biggest manufacturer of fuel injection pumps, to elbow its way into the potentially lucrative South Korean market through a new type of joint venture . . .

IT sounds like a formula for disaster; a motor components supplier sets up an expensive new plant in a developing country with a supposedly fast-expanding market only to find prospective vehicle production more than halved overnight.

This is the prospect facing Lucas CAV Korea, a 70 per cent-owned subsidiary of Lucas CAV of the UK. After producing 200,000 vehicles last year South Korea is now expected to produce only 120,000 in 1980, less than half the original target of 260,000.

On the face of it the outlook looks bleak, especially as the country is having to deal with yet another oil crisis, an economic recession and the political uncertainties which have followed last October's assassination of President Park Chung Hee and the current military intervention.

Yet Lucas CAV is showing no overt signs of despondency.

For one thing, it points out that the disappointing outlook for motor vehicle production applies mainly to petrol-driven vehicles, as opposed to the more stable diesel market, at which it is aiming.

The company started production last year of nozzles for diesel fuel injection systems and is confident enough of the future still to be considering a further investment in the region to make additional components for injection systems up to complete local manufacture. That would involve additional investment — in two stages—of some £16m.

The company is now considering giving the go-ahead to the next stage of manufacture, which involves investment of about £6m. However, it seems that a combination of political and economic development in Korea, Lucas's declining profits and the capital demands of major projects in the U.S. and elsewhere has delayed the go-ahead.

Nonetheless, Lucas CAV is clearly choosing to ignore any short-term discomfort in favour of the more optimistic outlook: experts predict that the region will, in the next few years, become the world's sixth largest manufacturer of motor vehicles—and Lucas CAV wants to be firmly established on the ground floor before that happens.

The company's factory is at Changwon, a vast new industrial complex for engineering companies situated about one hour's drive from Pusan, the major city on Korea's southern coast.

Only five years ago Changwon consisted of swampland and paddy fields, but there are now 70 factories on the site—most with licensing or technical co-operation agreements with foreign (mainly Japanese) companies. Twenty are joint ventures between foreign and Korean shareholders but only one—Lucas CAV Korea—is foreign controlled.

The company's unique position arose partly because nozzle manufacture is a high technology operation, and there were no short cuts to high-quality production via licensing.

The company's local partner is the Burada Group, a manufacturer of sewing machines which is headed by M. S. Hong, a leading Korean industrialist.

Liberal

Lucas CAV's majority stake in the company was approved at a time when other international component manufacturers, once restricted to licensing arrangements or minority interests in joint ventures, are being encouraged by the South Korean Government to invest directly.

One of the reasons for this more liberal policy is the poor state in which the motor industry currently finds itself—a factor which clearly strengthens the bargaining power of potential investors.

But there is also a more positive aspect to the new policy. The Government has found that minority-owned foreign subsidiaries have often suffered from poor standards of quality and the use of outdated equipment. The motor components business itself provides examples of this. Korea's car makers import several components for vehicles destined for export because the local products are of inadequate design or quality.

So if the Lucas CAV investment is successful it may demonstrate to the Government the benefits of permitting greater foreign equity and control. At the same time, though the Government is not about to pursue a completely open door policy towards foreign investment, it may increase the confidence of other foreign companies in joint ventures.

To try to ensure the highest standards of training for its key Korean employees, Lucas CAV undertook an unusual experiment. Instead of sending large numbers of expatriates to Changwon or disrupting its British production by trying to train Koreans within the UK plants, the company rented a factory close to its main factory at Sudbury, Suffolk.

There it installed the machinery eventually destined for Korea, and gave eight skilled workers six months of intensive training with the actual machines they would be using. Machinery and personnel were then loaded into a plane and despatched to Korea.

The company says the experiment went so well that it has renewed its lease on the temporary factory and is using it for a similar scheme to train Americans who will work at a plant making diesel micro injectors being built at Greenville, South Carolina.

In the Korean factory Lucas CAV has been finding that the performance of its workers has exceeded expectations. Quality levels are now reported to be as high as anywhere and productivity is making steady gains.

For Lucas CAV the Korean investment has meant a chance to get into a fast-growing nozzle replacement market which is currently estimated at 1m units a year.

So far, however, sales are not as buoyant as was hoped. This is not so much due to Korea's recession, which affects sales of new vehicles, but which should have only a mild short-term impact on the replacement market. The problem seems to be a marketing one.

Lucas CAV is not yet a well known name in Korea and the Japanese makers are fighting very hard to maintain their markets, despite a 30 per cent tariff barrier.

In retrospect, Lucas CAV seems to think that it should have started its marketing effort with imported nozzles—before starting local production. Still, it is confident that in time it can beat the marketing problem. A separate marketing company has been set up and Lucas CAV has seconded a marketing man from Britain, as a consultant.

A high level of replacement market penetration is clearly essential for Lucas CAV if it is to generate the cash flow to encourage the bigger commitment it would like to make through investment in filters and injectors for diesel injection systems and ultimately in making injection pumps.

A major problem at present is interest rates, which have soared to a crippling 27 per cent. At present, borrowed funds represent about half the company's capital employed.

The factory site at Changwon has provision for expansion into injector and pump making as well as greatly increasing nozzle output. Only one-fifth of the site is so far built on.

Manufacture of complete systems would enable Lucas CAV to get into the original equipment market — which should grow rapidly. Saehan, the Korean General Motors affiliate, will start making diesel cars this year based on an Opel design and the other two local makers, Hyundai and Kia, will follow.

Niche

In the long run there is the opportunity for foreign manufacturers not only to get into the local market but also into the wider East and South East Asian market. The time scales have lengthened but it is still only a matter of time before Korean cars compete with Japanese in these markets. Korea may therefore represent an opportunity for European firms to carve out a niche in East Asia without cutting into those markets which are already being supplied from their European, or other plants.

But Koreans are a tough people who play for high stakes. They expect their partners to do the same. Lucas CAV is already enjoying the fruits of Korean hard work and diligence. But making money will be harder.

BUSINESS PROBLEMS — BY OUR LEGAL STAFF

Bank rate

In a partnership agreement drawn up in 1976 it states that on dissolution of the partnership, one partner is to pay the other "at bank rate." What is "bank rate"?

We think that, in the absence of anything in the agreement itself to suggest otherwise, the phrase "bank rate" would be taken to mean the Bank of England's minimum lending rate.

Agricultural security

We own a farm, let to an inefficient farmer who only pays £5 per acre per year, when we can get it. He now owes 2¼ years rent. We have been told that as an agricultural tenant he has all sorts of rights and have been discouraged from doing anything. But do we not have any rights? What can we do?

It is true that the farmer enjoys security of tenure under a tenancy of an agricultural holding. However that does not entitle him to refuse to pay his rent. If he continues not to pay you can recover possession—although it seems likely that a belated payment will be made since the rent is so small. You should serve a notice in writing requiring the tenant to pay within two months from service of the notice all arrears of rent (specifying the sum). If that is not done you can serve a notice to quit (i.e., an ordinary 12 months' notice) and recover possession at the end of the period specified in the notice to quit under Case D of sub-section 2(3) of the Agricultural Holdings (Notices to Quit) Act 1977. Late payment of arrears (i.e., after service of the notice to quit) will not prevent the notice taking effect and you may thus recover possession.

A loss on farming

I am in the process of establishing a small farming business. It was originally ill-equipped and I had very little capital. I have a job at present and for five years I have had tax relief on the loss but this has now been terminated quoting five years as the maximum period of relief under Section 180 of the Income and Corporation Taxes Act 1970. Can you please tell me whether (a) the wording of the Act is as absolute as the Inspector implies? (b) there are any exceptions and if so under what circumstances and (c) a period say of one year in profit will qualify a person for a period of relief at a later date?

(a) Yes, unfortunately. Sub-section 1 of section 180 says: "Any loss incurred in a trade of farming or market gardening shall be excluded from section 168 above if in each of the prior five years a loss was incurred in carrying on that trade . . ."

(b) No: the rule is designed for administrative convenience. Principles of equity have little place in tax law:

(c) Yes, in principle, but "year," in this context, means a tax year (ended April 5). Unless your accounts are made up to April 5 annually, therefore, an isolated accounting year's profit (before depreciation etc.) may not be sufficient to get you off the hook.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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Exploiting our research skills

BY DAVID FISHLOCK

NOTHING will catalyse the formation of a new company in an uncharted area of technology so dramatically as the prospect of a big order. For example, the £1m to be spent by the Imperial Cancer Research Fund on obtaining a supply of highly purified interferon could in principle have been just the kind of order needed to get the National Enterprise Board's proposed new venture in biotechnology launched.

In practice the money will go —quite rightly—to the Wellcome Foundation, the one British company which has stuck resolutely with the formidable problems of purifying interferon for the past two decades. If "genetic engineering," the techniques that the NEB's proposed bioventure aims to exploit, should ever produce a new route to pure interferon, the likelihood is that this will be done within the existing drug industry. The commercial target in this case is very clearly defined, even though the medical case is not yet proven.

Exciting job

The NEB's central problem is how to write a convincing business plan for a company which aims to exploit some very new skills of scientists. The scientists have discovered that they can make certain substances with tremendous potential in diagnosing and healing disease. The doctors want to try these substances. In this case the remit of the research scientist—as well as his predilection—is to get on with the very exciting job of discovery and let others take over the job of production.

The NEB is trying to put together a research-based company to shoulder the task of production by exploiting the new techniques and the skills of the researchers. But these skills and techniques are not to be found in one convenient pocket, as was the case for example with the ideas behind the hovercraft or EMI-Scanners. They are scattered throughout several British laboratories, and may involve foreign laboratories too.

These laboratories have different parent organisations, each with its own rules and constraints. The last thing a research organisation such as the Imperial Cancer Research Fund would wish to do is to jeopardise its charity status, with all that means in tax concessions, by embarking upon a commercial venture.

They also have different perceptions of which products might constitute winners commercially.

An important question is where to locate the new company. It probably needs to be near one or more of the seminal laboratories.

But should this be the one richest in Nobel prizes—or the one best disposed to come to its aid?

Another question one must raise is whether the National Research Development Corporation should have a role. The Government's scientific advisers believe that it should. Yet there is no sign at present that this long-established state agency for aiding invention and innovation is participating in the discussions. This is odd, for the main source of earnings of the NRDC is biotechnology, through royalties from its successful exploitation of an earlier Medical Research Council discovery of the cephalosporin antibiotic drugs.

Impatience

The scientists are understandably impatient to see something happening quickly in Britain, at a time when new research-based companies in biotechnology are growing in the U.S. and elsewhere. But the British scientists themselves are showing no sign of shouldering any responsibility, financial or otherwise, for the commercial performance of the company. Their impatience—and their scientific eminence—should not be allowed to deflect the NEB from a thorough commercial appraisal of a necessarily high-risk venture.

A "Parkinson's law" which seems to operate in high-technology ventures says that the amount of attention given to the commercial details is inversely proportional to the complexity of the technology. The technology of genetic engineering is undoubtedly complex. Perhaps the biggest risk for the bio-venture is that, given the government's basic faith in market forces and the pace of progress elsewhere, if the NEB should get it wrong first time there may be no second chance.

Look for violas—they like the damp

YOU MAY recall that last week I mentioned a plant which I considered the best value for summer flower and length of season. It is not as familiar as I thought, because many of you have written to ask for more details.

I had believed that the small viola was a widely-grown favourite, but perhaps we know the large-flowered pansy these days and forget its parent among the wild forms unless we are particularly observant in British gardens which are open to the public during the summer.

I was referring to the Pyrenean horned pansy, *Viola cornuta*. This does not sound very exciting in plant lists where it is surrounded by rich descriptions of ruby red pansies, blues with black markings and apricots stained with orange. Who would bother with a single white flower or worse, a lavender mauve?

Two forms

When Ruskin had the absurd idea of renaming all garden flowers with English names, he had to call these violas horned pansies. The very idea would put most people off. There are two forms, one white, the other lavender, and I think you should use the next month to find a plant of them both.

I would encourage you in the search. Three years ago, I bought one plant of the white-flowered form. It flowers at a height of six inches, but is covered with so many flowers that its mat of fresh green leaves is invisible from late May until July. It then draws breath and starts to flower again in August. All the while, its leaves are spreading about a foot wide and you can dig small pieces and multiply your stock by cuttings which are already rooted.

From my one plant, I already have 50 or more and can split them as many times again. Their stems block out all weeds and sit prettily between almost any planting—old roses, *campanulas*, irises and so forth.

They like the dampness of my garden more than I do, so perhaps they have been unusually vigorous. But I can now count on an edging which will flower throughout the summer, a match for any laborious bedding plants.

The white form is such a fresh white, at its best in early evening when it stands out clearly beneath the dim shapes of old rose bushes and day lilies. The mauve variety is more vigorous and will train itself up into a mound which you can usefully pull over blank spaces or the gaps left by early poppies and anchusas in the border. Lavender mauve sounds a dreary colour, but in this viola it is soft and clear and will match almost anything.

The flowers are larger than a violet but not so large as a pansy. They are known as horned because of the shape of their many seed pods after flowering. Now is the season to find a plant from a friend, or to order the seed and sow it in July. It is small, firm and a

GARDENS TODAY

BY ROBIN LANE FOX

bright red-brown and comes up like cress. The plants are entirely perennial.

You may have noticed the fine amateur exhibit of violettas by a London gardener at the last two Chelsea Flower Shows. *Viola cornuta* was an important parent of these smaller-flowered variations in their many mixtures of purple, yellow and mauve. The violettas have a growing fan club, though few of them number me among it. Their colours are too bizarre for their small flowers and the stems are too messy for my taste. I far prefer violets, but you might make something of an idea for a small bed of violettas only.

Readers can see how this works in the superb garden at Manor House, Cranborne, Dorset, where small beds have been patterned with low box edging and filled solely with the brighter forms of mixed violettas. Perhaps they are better suited to an old garden where they might seem in keeping with the twisted architecture, old brick walls and the series of enclosed gardens. I cannot help remembering my own plants of a variety called Martin, first named at Broadwell Nurseries, Moreton-in-Marsh, Glos, where you can buy its seed and many descendants.

Its flowers are a splendid shade of deep purple, but they seed too freely over the banks on which I grow small alpines and I resent the time spent in removing the mass of seedlings left by this and other free-seeding violettas. I would accept the lovely apricot-yellow Chantreyland, the variety which is most worth encouraging. The seed should be sown now, so that the young plants will flower next year. Thompson and Morgan of Ipswich will offer you seeds of this variety and others, often including the good King of the Blacks. Chantreyland is a fine edging under white roses or the pale-blue *campanulas* of early July.

Arkwright Ruby is another old favourite, though I do not find its ruby-red colour very easy to pick up at a distance. The violet-blue Maggie Mott, a plant which was common in Edwardian gardens, but is far too seldom seen nowadays, is also worth rescuing. Like the others, she is very long-flowering and will come easily from seed now if you never allow the seed box to dry out and do not bury the seed too deeply.

On the margins of this group and the plain *cornuta* there are two outstanding plants, long prized by connoisseurs. Of the two, viola Haslemere is the smaller and the less usual colour, a pale mauve which is the true shade, not the half-way colour which has brought the name into disrepute. The small flowers are like violet and appear continuously from May until October, marked by dark lines near their yellow centre. It is an easy plant so long as it does not sit in a heavy soil all winter. Good alpine nurseries usually sell it and you should buy one on sight. Its colour is like no other, the purest mauve known in any flower.

The other is a large-flowered form of the lavender *Cornuta*, usually listed as the Huntercombe variety, either purple or violet. Its colour is deeper and its capacity for flower I unsurpassed. Some fifty years ago, this vigorous viola was a common suggestion for bedding schemes and rosebeds where schemes of its clear-cut colour and long season were appreciated. Now you seldom see it outside gardens of the National Trust, one of the good things we have forgotten in the interests of new and brighter sorts of marigold.

Paler shades

Viola Huntercombe is at its best in a rich and damp soil as an edging or underplanting, especially under the pink and purple of old fashioned roses. It makes a mat a foot wide and nine inches high and shares the family's ease of propagation. There are other forms of similar habit in paler shades of blue—Irish Blue, Blue Maiden and so forth—but I have never found them so robust and persistent.

Like the other good violas this one falls between the pansy and the violet, but flowers more freely than either. June and July are the months for sowing next year's crop, therefore a few plants, bought or begged now, will start off many hundreds more—one of the best things in an easy summer garden and a gift which nowadays we tend to ignore.

Staffordshire Knot for Carlisle

THERE CAN be few if any flat races in existence other than the Lanark Bell which go back further than the Carlisle Bell, first run in 1599. This afternoon sees another running of the historic race which is now sponsored by those long-established supporters of Northern and Scottish racing, the Glasgow-based Tennent Caledonian Brewery.

RACING

BY DOMINIC WIGAN

In what looks to be a wide open race for the mile handicap on a course whose other well-known prize is the Cumberland Plate, I take Staffordshire Knot to spring a surprise.

Although this five-year-old's form figures of five zeroes and a solitary placed effort from six outings this season do not inspire confidence, there is no doubt that the Welsh Pageant horse is capable of adding to his score. Last time out, Staffordshire Knot ran his best race in a long while when beaten no more than three-and-a-half lengths by Tribal Warrior in Redcar's Holsten Diat Pils Handicap over seven furlongs. A front-running horse better suited by today's one mile trip than the shorter distance of the Redcar event, Staffordshire Knot can gain his fifth victory on the flat by taking advantage of the 13 lb he receives from the veteran of the party, Kithairon.

There can have been few better-bred fillies in action at Carlisle over the years than Mary Le Bow who runs in the Castle Maiden Fillies' Stakes.

This three-year-old is by the "Arc" winner, Levmoss, out of the unbeaten two-year-old winner Great Paul. In her only race to date Mary Le Bow ran a highly encouraging race at Catterick over this afternoon's one-and-a-half-mile trip. It will be disappointing if she fails.

Half-an-hour after Mary Le Bow bids to greatly increase her paddock value, I feel more than hopeful that it will pay backers to side with Paddle Wheel who has made the long trip from Pontypridd in mid-Glamorgan.

CARLISLE
3.30—Staffordshire Knot*
4.00—High Old Time
4.30—Mary Le Bow**
5.00—Paddle Wheel***
YARMOUTH
2.15—Show-A-Leg
3.15—Optimate
4.45—Prince of Sheba

TV/Radio

* Indicates programme in black and white

11.55 am Tennis from Wimbledon. 1.30 pm How Do You Do? 1.45 News. 1.55 Wimbledon Tennis. 4.18 Regional News for England (except London). 4.20 Play School (as BBC 2 11.00 am). 4.45 The Record Breakers. 5.10 John Craven's Newsround. 5.15 Rentaghost.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Wimbledon Tennis.
7.40 It Ain't Half Hot Mum.
8.10 The Big Time.
9.00 News.
9.25 The Good Old Days.
10.15 The White Tribe of Africa.
11.05 Barry Manilow in concert.
11.55 Weather/Regional News.

All Regions as BBC 1 except at the following times:

BBC Cymru/Wales—5.55 pm Wales Today. 6.15 Heddiw. 6.35 Join BBC 1 (Wimbledon). 11.55 News and Weather for Wales.

Scotland—9.55 am Noah and Nelly in Skylark. 10.00 Jackanory. 10.15 Cheggers Plays Pop. 10.35-10.55 Take Hart. 1.25-1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.55 News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North-West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.20 am Gharbar.
11.00 Play School.
12.00 Wimbledon '80.
7.50 pm One Hundred Great Paintings.
8.00 Mid-evening News.
8.10 Movie Showcase: "Man In The Glass Booth," starring Maximilian Schell.
10.05 Wimbledon '80: Match of the Day.
11.00 Newsnight.
11.35 Open Door.

LONDON

9.30 am Paint Along With Nancy. 10.00 The Best of Families. 10.50 The Nature of Things. 11.40 Animal Homes of Feathered Friends. 11.55 The Undersea Adventures of Captain Nemo. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Live From Two. 2.45 After Julius. 3.45 Square One. 4.15 The Whisper of Glocken. 4.25 How. 4.45 Maggie's Moor. 5.15 Father Dear Father.
5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Don't Just Sit There.
7.30 Coronation Street.
8.00 Sounding Brass.
9.00 Survival Special.
10.00 News.
10.30 "The Love Ban," starring Hywel Bennett, Nanette Newman and Milo O'Shea.
12.15 am Close: Personal choice with Andrew Cruickshank.

All IBA Regions as London except at the following times:—

ANGLIA

10.50 am Battle for Casino. 11.40 Magilla Gorilla Cartoon. 12.30 pm An Exceptional Child. 1.20 Anglia News 5.15 Barney Miller 6.00 About Anglia. 10.30 TV Movie: "Marvel Superheroes. Dr Strange." 12.15 am The Big Question

ATV

10.50 am The Stationary Ark. 11.15 The Mackenzie Affair 12.30 pm Against the Wind 1.20 ATV Newsdesk 2.45 The Royal Show. 5.15 How's Your Father? 6.00 ATV Today, including Police Five. 10.30 ATV Newsdesk. 10.35 The Mid-week Film. "The Reckoning," starring Nicol Williamson.

BORDER

10.50 am The Jazz Series. 11.15 Technoflash. 11.35 The Count of Monte Cristo. 12.30 pm An Exceptional Child 1.20 Border News 5.15 Survival 6.00 Lookaround Wednesday. 10.30 A Walk in the Lake District with Hunter Davies. 11.15 Tennents Golden Arrow Darts Tournament 12.00 George Hamilton IV. 12.30 am Border News Summary.

CHANNEL

12.30 pm An Exceptional Child. 1.20 Channel Lunchtime News, What's On Where, and Weather. 5.15 Happy Days. 6.00 Report at Six. 10.28 Channel Late News. 10.35 Feature Film: "Lock Up Your Daughters." 12.25 am News and Weather in French, followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 10.50 The Jazz Series. 11.15 Thunderbirds. 12.30 pm An Exceptional Child. 1.20 North News. 5.15 Mork and Mindy. 6.00 North Tonight and Area Weather Forecast. 10.30 Reflections. 10.35 WKRP in Cincinnati, part 1. 11.00 The Wednesday Movie: "The Hand Of Night," starring William Sylvester. 12.30 am North Headlines.

GRANADA

11.40 am The Beatles. 12.30 pm An Exceptional Child. 1.20 Granada Reports. 3.45 The Amazing World of Kreskin. 5.15 The Rolf Harris Show. 6.00 Granada Reports. 6.30 This Is Your Right, with Lord Winstanley. 10.30 Best of British: Hayley Mills in "The Family Way"

HTV

10.50 am Sesame Street. 11.50 Popeye 12.30 pm Against the Wind. 1.20 Report West Headlines. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Doctor Down Under 10.30 "Winchester '73," starring Tom Tryon, John Saxon, Dan Duryea and Joan Blondell.

HTV Cymru/Wales—As HTV West/ HTV General Service except: 11.55 am-12.10 pm Ffalabalam. 1.20 Penawdau Newyddion Y Dydd. 1.25-1.30 Report Wales Headlines 4.45-5.15 Ni A Nhw 6.00 Y Dydd 6.15-6.30 Report Wales. 10.30 Only in America 12.00-12.30 am George Hamilton IV.

SCOTTISH

10.50 am Call It Macaroni. 11.10 Westside Medical. 12.30 pm An Exceptional Child. 1.20 News and Road and Weather. 2.45 The Royal Show. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today News and Hi Summer Extra. 6.30 Emmerdale Farm. 10.30 My Vision. 11.00 The Odd Couple. 11.30 Late Call. 11.35 Music at Harewood

SOUTHERN

10.50 am Tandarra. 11.45 Larry the Lamb. 12.30 pm An Exceptional Child. 1.20 Southern News. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads 6.00 Day By Day. 6.35 Scene Mid-week (South-East Area only). 10.35 Police Story.

TYNE TEES

9.20 am The Good Word, followed by North-East News. 12.30 pm An Exceptional Child. 1.20 North-East News and Where the Jobs Are. 5.15 Laverne and Shirley. 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life. 10.30 North-East News. 10.32 The Prime of Miss Jean Brodie. 11.30 Power Without Glory. 12.30 am People at Prayer.

ULSTER

10.50 am The Jazz Series. 11.15 Untamed World. 11.40 Cartoon Time. 1.20 pm Lunchtime. 4.13 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Want a Job? 6.30 The Flintstones. 10.29 Ulster Weather. 10.30 Family. 11.30 Gardening Today. 12.00 Bedtime.

WESTWARD

10.50 am The Jazz Series. 11.15 Target the Impossible. 11.40 Larry the Lamb in Toytown. 12.30 pm An Exceptional Child. 1.20 Westward News Headlines. 5.12 Gus Honeybun's Birthdays. 5.15 Happy Days. 6.00 Westward Diary. 10.32 Westward Late News. 10.36 Feature Film: "Lock Up Your Daughters," starring Ian Bannen and Christopher Plummer. 12.25 am Faith For Life. 12.30 West Country Weather and Shipping Forecast.

YORKSHIRE

10.50 am The Count of Monte Cristo. 11.10 Paths to the Future. 12.30 pm Out of Town. 1.20 Calendar News. 5.15 Bailey's Bird. 6.00 Calendar (Emley Moor and Belmont edition). 10.30 "Twinky," starring Susan George. 12.15 am Preview.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 Bruno. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2. 2.03 pm Ed Stewart's Request Show (S). 4.03 Much More Music (S). 6.03 John Dunn (S). 8.02 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 John Timpson (S). 12.03 pm David Hamilton (S). 2.03 Wimbledon Tennis. 7.00 John Dunn (S) (joins VHF). 8.02 Listen to the Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Only a Rose: Anne Ziegler and Webster Booth recall the past. 9.55 Sports Desk. 10.02 The Impressionists. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Haydn (S). 10.00 Music for Organ (S). 10.45 Russian Wind Music (S). 11.20 Young Romanian Violinists (S). 12.00 City of Birmingham Symphony Orchestra, part 1 (S). 1.00 pm News. 1.05 City of Birmingham Symphony Orchestra, part 2 (S). 2.00 Music Weekly (S). 2.50 Fifty Years of British Music (S). 3.35 Liszt's Faust Symphony (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Music Now. 7.45 BBC Symphony Orchestra, part 1: Walton, Beethoven (S). 8.35 Six Continents. 8.55 BBC Symphony Orchestra, part 2: Bartok (S). 9.45 Scientifically Speaking. 10.30 Frank Martin: Mass on record (S). 11.00 News. 11.05-11.15 Bach (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Midweek with Russell Harty. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 Baker's Dozen (S). 12.00 News. 12.02 pm You and Yours. 12.27 Just a Minute (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (S). 4.00 Choral Evensong (S). 4.45 Short Story. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers 7.20 Checkpoint. 7.45 Person to Person. 8.45 Analysis. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Jason Explanation of the Body (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 8.00 pm Jazz After Eight—Keith Howell. 9.00 Mike Dickin —Nightline: Financial Editor Douglas Moffitt talks about credit cards. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Mike Allen (S). 1.00 pm London Today First Report (S). 1.10 Mike Allen (continued). 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Charlie Gillett (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Night Flight (S).

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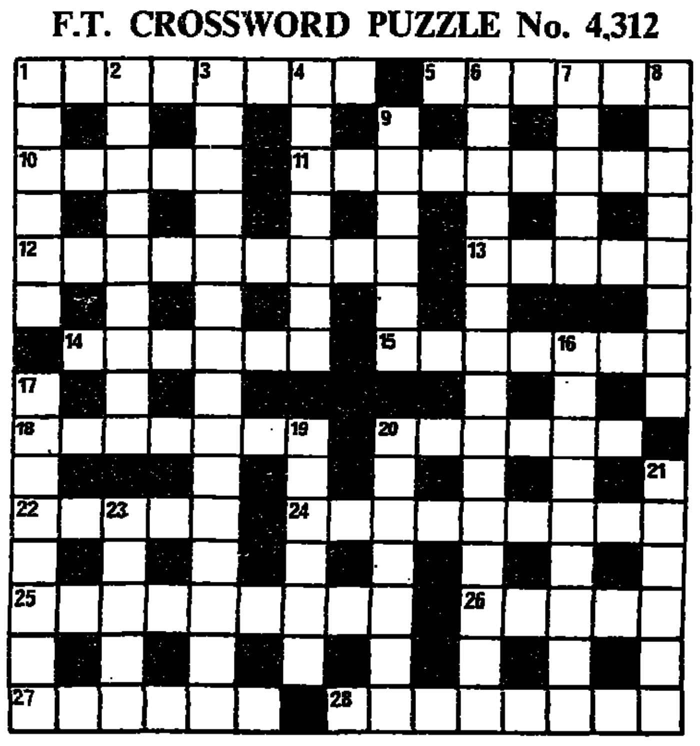


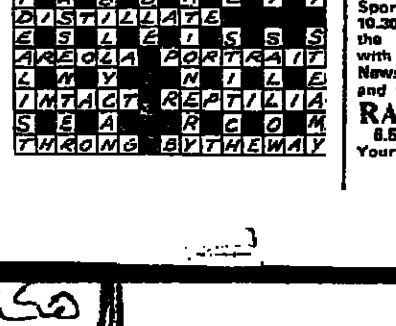
ACROSS

1 Resting place for puffers (4, 4)
5 Plan to return to dance step made plain in South America (6)
10 Shoot young member of family (5)
11 Somewhere to live in isolation (9)
12 Turn out in one of the races you literally consumed (9)
13 Free for instance to back extended high pressure region (5)
14 No quantity of medicine is in knots (6)
15 Jib at attempt to go by sea (7)
18 Made public appearance in prospect (7)
20 Dog at front on board? Gosh! (3-3)
22 Model question (5)
24 What drains the ground at Wembley helps call the tune (5, 4)
25 Half-nationalised transport carrying first woman of note (4-5)
26 An enormous stop at sea (5)
27 Merchant supplying timber to the Queen (6)
28 Jumpers derailing Kew train (8)

DOWN

1 Bill gets job of despatcher (6)
2 Divide what average church left in the open (6, 3)
3 A PC is completely worthy of respect (5, 10)
4 Play on words (7)
6 A predatory female may I fear be just as I would wish (5, 2, 3, 5)
7 Argue with piano guide (5)
8 Pose before cathedral with literary family (8)
9 Awaiting development long delayed by National Trust (6)
16 Hate putting eccentric into a beam (9)
17 Made up by calm (8)
19 Person taking 40 winks at fish (6)
20 Beer Pole gives bird (7)
21 Soldiers tipped up rubbish on guide (6)
23 Sex-appeal doctor brings to a dance (5)

Solution to Puzzle No. 4,311



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THE ARTS

Sadler's Wells

Merce Cunningham

by CLEMENT CRISP

It is an article of faith that the sound-tracks to Merce Cunningham's dances exist in entire independence of the pieces they accompany. Yet the wildly mangled—and rather distracting—Irish jigs that rattle along beside *Fielding Sixes*, a brand-new creation that opened Cunningham's one-week season on Monday night, seem to provide movement attitudes that colour the choreography.

The mood is sprightly, bouncy, the dancers kept very much on the hop as the *disjecta membra* of folk-tunes crowd the air. The ebullience of the dancers, their sometimes fidgety manner, appear a commentary on and extension of, the ceaseless twittering of the score. The effect is restless, certainly virtuosic in the demands made on the company—who are fine in this as in everything in the evening—but hardly vintage Cunningham.

The more usual, and more gripping Cunningham style is everywhere apparent in the serenely eloquent *Locale*, which is the heart of the programme. This stage version of a film piece made last year is set for seven men and seven women. They are divided into duets and trios, sometimes according to the colour of leotard that they wear, and after an opening ensemble there come two septets — the first more simple in texture than the second — before a finale reunites the entire company. The mood is calm; there is a feeling of graceful ease not too different at moments from that of Ashton's *Monotones*. *Locale* is a joy to watch.

Cunningham's own, irreplaceable, presence is on view twice in the evening. His first appearance is in a solo, *Tango*, which is a nicely anarchic tease. In white track-suit, armed with a small blue towel, Cunningham gives an impish display of what looks like geriatric dusting, while a television set plays whatever happens to be on offer (in this instance part of some courtroom drama, plus a couple of commercials) and towards the close a noise, which sounds like a giant squid eating spaghetti, impels Cunningham to start putting on a raincoat. The curtain falls. Cunningham's performance style is now something constrained, offering a flickering gestural manner rather than any larger effects.

Seen in isolation in *Tango*, it has a mysterious and unpredictable force. Placed in the context of a larger piece, like the allusive and stimulating *Roadrunners* which ends the evening, I find it less convincing. The muscular power and fully-stretched ease of his dancers, here magnificently deployed in a very dense choreographic text which insists on sharp and brilliant activity contrasted with sudden, frozen moments of quiet, seem to overwhelm the smaller range of Cunningham's own dance. But *Roadrunners* is splendid stuff: witty, ever questioning about the nature of movement, food for eye and mind.

New End

Letters Home

by B. A. YOUNG

You have to care about Sylvia Plath's work to care about *Letters Home*, which is based on her voluminous family correspondence. It contains no quotations from her poems, her novel or her own play, only letters recounting the joys and sorrows of a young woman of (as we deduce from her own account of it) evident great talent. But we must either be familiar with that talent or imagine it for ourselves, for the extracts which Rose Leiman Goldemberg has made from her letters only mention it, without demonstrating it.

Ms. Goldemberg has orchestrated the letters for two voices, of which June Brown's mostly represents Aurelia Schober Plath, the poet's mother, and Anna Nygh's is that of the poet herself. Sometimes they divide sentences between one another—

"His lovely . . ."

". . . liquid . . ."

"—voice."

Sometimes they both speak together, different passages spoken against one another, or the same passage spoken in canon. Truth to tell, it seems to me that Ms. Goldemberg is trying to infuse some extra interest into some not very special words.

Sylvia Plath had an enjoyable and patchily successful time at Smith College in Massachusetts, and underwent the all too frequent experience of trying to end a passing sense of inadequacy with suicide. She got a Fulbright scholarship to Cambridge, she met and married Ted Hughes, had two babies and suffered house-keeping difficulties. Ted Hughes, whose merit we must also accept from her description of it unless we happen to know it, left her, and her domestic pressures weighed her down increasingly until she ultimately killed herself.

This is a very flat account of the life of a much-admired poet, but this is what you will get from *Letters Home*. The words are beautifully spoken by both players, Miss Brown mature and reserved as the elder woman, Miss Nygh ranging a wide emotional tessitura as the poet, ecstatic joy showing shoulder-to-shoulder with suicidal dissatisfaction or despair. Penny Cherns is the director, Di Seymour designed the background that reflects the predominant mood of each period.

Festival Hall

Rakhmaninov

by RONALD CRICHTON

Rakhmaninov posthumously reaps the rewards for the inter-war years of drudgery (at the very top of the scale but drudgery still) as concert-pianist. In those days, except for very few works disastrously over-played, he was shunned as a composer.

Such a feast as we had on Monday night from the Forest Philharmonic under Frank Shipway, with four eminent soloists and three choruses, was in those days unthinkable. For one thing the Symphonic Dances for orchestra were only written in 1940, while *The Bells*, which dates from before the First World War, was virtually forgotten.

These two works framed the Paganini Rhapsody on Monday in colourful, expert and enjoyable performances in which Frank Shipway and his excellently trained, keenly responsive orchestra once again added something distinctive to the run of South Bank concerts.

Except for a certain feeling of thematic reminiscence (the "Dies irae" in two of the works and a family likeness to that chant in the bell-motive of the choral work) Rakhmaninov stood the one-man test well. The spectres haunting the Dances are given a crack of the whip in the Rhapsody; *The Bells* takes us into the domain of the voice of which the composer, though the fact was for long obscured, was equally a master.

The Bells was bravely sung in Russian—Poe translated by Balmon then back-translated to fit the notes is no great loss. The choruses (Bulmershe Girls, Harlow NELP), sounding as Russian as British voices will in any language, sang with a will.

Of the soloists, Sheila Armstrong was sweetly passionate, Ryland Davies admirably flexible in his phrasing—our tenors cannot "ping" on that high entry like a Russian. John Shirley Quirk's sable gloom was very fine. Such a vivid and sympathetic reading makes one see why Rakhaminov himself loved his "choral symphony."

In the Dances Mr. Shipway sometimes allowed his orchestra to boil up too quickly to a fortissimo, but the players' enthusiasm and the conductors' sense of style (including an ability to stop Rakhmaninov's textures from going too plushy—something to do one suspects with the sharp edge he allows accompaniment figures) gave much pleasure.

Perhaps that *valse des fleurs du mal* that forms the second movement was a little too discontinuous, but it kept the attention firmly. In the Rhapsody the soloist was Cherkassky, who put and kept the players on their toes. One facet of a dazzling performance was the way he contrived, while remaining utterly faithful to the composer, courteously but lethally to puncture the heavier, duller-handed approach of more ordinary pianists.

Australia House

Petra String Quartet

This young quartet, resident at the Tasmanian Conservatorium, is assiduously loyal to Australian music, which now has a considerable tradition. At Australia House on Monday they offered—besides Haydn—pieces by three of their best-known composers. Without first-hand acquaintance with the national scene, one couldn't know how representative of current work their programme was: what we heard was comfortable, professionally turned, not at all challenging—a programme to win over the cautious, perhaps, rather than to display whatever new ground-breaking may be going on.

The Quartet's Haydn—op. 76 no. 4—illustrated their warm, relaxed style at once: full, balanced tone (the first violin and the cello are ladies, which is unusual and welcome), a persuasive manner, inclined to leave rhythms under-pointed. In Richard Meale's Quartet no. 2, which one might guess to be an early work, there was little bite in either of the scherzos, which served chiefly to provide drier relief between mellifluous outer and middle movements. The ghost of between-the-wars British music was close at hand, and more than a hint of film music.

A similar post-Impressionist flavour marked Don Kay's new song cycle *Quiet Waters*, gracefully sung by Janice Chapman: five light, concise inventions on oddly disparate poems (translations from Ausonius by Helen Waddell, and mawkish verses by Beth Parsons).

Kay used the Quartet as if it were simply a very small chamber orchestra; with the quirky economy of Peter Sculthorpe's Quartet no. 8, we caught up with the quartet-medium as Bartok left it. Sections marked "con dolore," throbbing laments, alternate with tight, clacketty dances (the programme indicated five sections in all, but there seemed to be seven); the instruments tap and whistle as if to conjure up exotic ceremonies. Sculthorpe's musical language is sophisticatedly simple, aiming at immediate pungent effects. He does not overplay his hand, and the Quartet leaves interesting wistful echoes behind.

DAVID MURRAY

B

BANQUE NATIONALE DE PARIS and INDONESIA

An important Indonesian delegation of more than 115 members, led by Dr. SUMARLIN, Minister of State and Vice-Chairman of the National Development Planning Agency (BAPPENAS) visited PARIS from May 31st to June 4th, 1980.

This delegation was composed of senior civil servants including General Directors of all Indonesian Technical Ministries and of about 100 industry and trade representatives from the principal Indonesian companies. They were welcomed by M. C. LLEWELLYN, General Manager of BANQUE NATIONALE DE PARIS, for a two-day symposium to which internationally-minded French companies had been invited. The presence of M. MONORY, French Economy Minister, gave additional significance to this meeting.

During this symposium about 300 representatives of French companies were able to attend talks by Indonesian Administration, Trade and Industry representatives and to have very interesting private meetings with them. Moreover, during the seven working sessions the French participants were able to exchange their views with their Indonesian counterparts. They were also able to study joint activities with Indonesian groups in order to set up new ventures in Indonesia and to benefit from the advantages offered by that country, which produces a vast range of raw materials (including a yearly output of about 100 million tonnes of oil).

By receiving this Indonesian delegation and giving it the possibility to meet representatives of French companies, B.N.P. is following its policy of promoting international exchanges.

It is hoped that French companies will benefit from the open-minded spirit of initiative shown by the Indonesian authorities during their visit and for this purpose they will find every possible assistance from B.N.P.

Television

In between the showers

by CHRIS DUNKLEY

It is that time of year when the television screen goes green and white and stays that way for hours on end, come rain come shine. Admittedly the shade of green changes subtly when it rains: instead of the deep grass-green of the Oval or the Centre Court we are treated to the lighter tarpaulin green of the Wimbledon covers. Both grass and covers, however, provide a brighter, healthier green than the colour that we see on our screens all too often throughout the rest of the year as background to the over-acting antics which are laid on these days in place of football.

That pantomime is enacted against a khaki—or even sand—coloured background by a cast dressed suitably enough in garish costumes which look increasingly like the outfits of the old court jesters. If only the broadcasters could arrange for the "players" to be issued with pigs' bladders, for various Continental pitches to be flooded with six inches or so of water, and for Eddie Waring to do the commentary, television would have its all-time ideal series: *It's An International Celebrity Knockout European Soccer Championship.*

Until they do we shall have to be content with the pleasures of Wimbledon tennis and Test cricket: no small pleasures, but ones that change little year by year. Tennis (especially men's doubles) is still better suited to the shape of a television screen than any other sport except snooker. In Test cricket there does seem to have been one marginal technical improvement this year: the speed with which the producers are ready to replay an incident in slow-motion is now such that it is surely only a matter of time before the umpires have to start employing a screen-watching colleague in the pavilion.

For the viewer Test cricket still provides a uniquely leisurely, rich and subtle television experience—strongly connected to yet distinct from the live sport—for anyone with all those daytime hours free to watch.

Just where the broadcasters imagine an audience for daytime cricket materialises from is unclear. What does seem clear is that inside television there is a common belief that the audience changes radically round about June. Suddenly the mixture of new (if hackneyed) sit-coms, fresh (if repetitive) light entertainment, and original (if tedious) drama is replaced by a three-part flood of sport, repeats and documentaries. The good news is that this year many of the documentaries have been extraordinarily well done.

For instance the first of a promised series of ITV "signed documentaries" from Jonathan Dimbleby dealt remarkably impressively with the complicated and delicate matter of the relationship between the police and the public in Britain today. Any note of surprise you detect is intentional since it seemed beforehand to be a programme doomed on several counts: it came late in the day after umpteen other police investigations (by BBC1, *World in Action*, and *The London Programme* among others) and the record of Dimbleby Minimus when given his head with documentaries in the past few years has been somewhat off-putting.

I do not mean by this his infuriating habit of feeling for holes in the palm of his right hand when speaking to camera (instead of simply folding his arms or sticking one or two hands in his jacket pockets Prince Philip-style), or his peculiarly stilted practice of aping the fast cutting of filmed sequences with a stream-of-consciousness commentary (as in "Golf 4. The crime car. An emergency! Concentration, adrenalin—speed!") instead of counterpointing or complementing the pictures. I mean his much more offensive custom of making a meal out of his social conscience and then feeding it to the rest of us. Most unappetising.

However *A Force to Reckon With* proved to be an exemplary exercise in which the plough of television journalism worked over a dauntingly large field, turning up numerous nuggets of fact and opinion finally revealing, in a subject bedevilled by local variations, a clearer national pattern than any other police programme I can remember. Best of all, whereas television's firm habit is to pretend that the plough is unmanned, this two-part programme did not make any secret about who was doing the steering.

Yet Dimbleby's healthy scepticism never overwhelmed the subject. The most doubtful aspects of policing were always communicated by the police themselves. It is hard to believe that the Special Patrol Group would have stopped the boy carrying his wheel back from the bicycle repair-shop if he had been white. It is hard to reject the case for proper police accountability after watching the fawning that can pass for control at a police authority meeting. It is impossible to justify the ludicrous practice, illustrated here yet again, of the police investigating, and in most cases in effect judging, complaints against themselves.

Every Night Something Atrocious, another in the remarkable summer deluge of ITV documentaries which will no doubt impress the IBA no end as they ponder the renewal of ITV licences, could hardly have contrasted more with Dimbleby's police investigation yet it, too, was a most impressive programme. In an unapologetically indulgent exercise in nostalgia, producer Patick Garland lined up a cast which would make Lew Grade faint with envy: comedians Arthur Askey, Kenneth Williams, Ernie Wise, Charlie Chester and Spike Milligan, and singers Vera Lynn and the late Joyce Grenfell, joined theatrical knights Ralph Richardson and John Gielgud, among others, to pool memories of their wartime work for the Entertainments National Service Association (ENSA, hence the cod title).

Eric Morecambe and Ernie Wise, who worked in ENSA

Not all the memories were fond: there was talk about the nastiness of the London tube during the Blitz, of air-sickness on the way to Scapa Flow, and of kissing the marble coldness of transplanted skin on the cheek of one of Dr. McEndoe's "Guinea Pig" airmen. Yet even for me, born during the war and conscious only of its echoes via such memories as Vera Lynn's songs on the Light Programme, it evoked the feel of an age of common national identity and unity of purpose—especially in the unashamed, indeed necessary, nationalism of the astounding Albert Hall rally—which seemed familiar and poignant even though quite dead and gone.

Yet another in ITV's electric-storm of documentaries, made in a third and again contrasting style, was *The Boys from Horseferry Road*, which sought to convey, without the benefit of a reporter, an impression of what it feels like to be a medical student at Westminster Medical School, now under threat of closure. Director Angela Pope succeeded wonderfully well, using each scene (except a vivid birth sequence which seems to have been thrown in out of habit) to contribute to the kaleidoscopic effect. The programme portrayed a system—accurately enough, as anyone who has been to hospital knows—in which the consultant condescends to the student and everyone condescends to the patient.

Absolute uniformity of excellence would be impossible, of course, and sure enough the first of another ITV series, *20th Century Box*, proved that you can be too clever by about three-quarters. A perfectly competent and entirely conventional documentary concerning a couple of teenage ballroom dancing fanatics was reduced to absurdity by being transmitted in monochrome and overlaid with a commentary by somebody wiv one of vose fick Lunnen accents wot keep makin yer wonder wot it is the producer's tryin ter prove.

Over at the BBC, meanwhile, where they have had their work cut out showing us the rain at Wimbledon and Lord's, there have been fewer original documentaries, but some none the less fascinating ones. *No Maps On My Taps*, for example, was a highly satisfactory combination of information, history and entertainment which added the dimension of tap to "Dance Month." (And for John Drummond, who did an efficient and charming job fronting the whole season, but who expressed puzzlement over this title, it surely indicates the absence of choreography, or "maps".) And Jeffery Boswall's *Animal Olympians* was an engrossing exploration and catalogue of athletic feats in the animal world.

That the first was bought second-hand from America and the second laced together entirely, I suspect, from clips out of previous BBC programmes, is yet more proof of the growing contrast between ITV and BBC. While ITV companies strive to regain their licences to make more money, the BBC strives to make its licence-money go further and further.

Mark Taper Forum, Los Angeles

Division Street

by FRANK LIPSIUS

Like horse-handicappers, Hollywood makes its multi-million dollar wagers based largely on their human runners' track records. The system was applied to the theatre when this year's Academy Award-winning scenarist, Steve Tesich, teamed up with Tony award-winning Mark Taper Forum for a production of Tesich's new play *Division Street*.

Tesich, who won the Oscar for his screenplay of *Breaking Away*, turns to a reunion of young radicals from the 1960s for this play set in a contemporary Chicago tenement. After Chris, played with over-earnest eagerness by Tim Matheson, appears on newspaper front pages vomiting in a Chicago street, he is besieged by faces form the past, notably those of his ex-wife and a former political comrade. They intrude on a life already filled with a menage that shares more than an etymological kinship to a menagerie.

His black landlady is named Mrs. Bruchinski and speaks with a Polish accent. His flat is overrun with milk-cartons and newspapers he doesn't want. A well-meaning young prostitute visits him because, as with the milk and papers, the previous tenant paid for a year's supply before his untimely death. The neighbourhood also has a transsexual black police officer, exuberantly played by Justin Lord, and Chris's ex-wife materialises with a pathetic, ignored solicitor who can't even get people to watch him expose himself in public. Last but not least plausible is a Serbian restaurateur who wants to kill Chris for ruining his establishment's reputation.

The whole of the first act is taken up with the introduction of this motley assortment of mid-Western misfits. The second act is spent making predictable but unreasonable connections between the characters. The Serb becomes the father of the whore, who is the former wife of the former radical, etc. Events have the same arbitrary implausibility. The confluence of these characters occurs because the photo of a young man vomiting in front of a Serbian restaurant makes the front pages of newspapers across America. It was indeed a slow day on the news front when this play was conceived.

Director Tom Moore compounds the play's faults by letting the characters exaggerate their eccentricities as though the playwright had not gone way too far on his own. Jokes that are hardly funny to start with, like a black lady named Bruchinski, last the length of the play, providing a lesson on the limitations of the value of a track record.

Even by Hollywood's exaggerated standards, the Mark Taper Forum has luxurious premises for an experimental theatre company. Its thrust-stage is housed in a large circular building that is one of three theatres in the imposing Music Centre complex. The Dorothy Chandler Pavilion is the largest of the structures, where a more direct lesson in track records is obtainable in a revival of *Guys and Dolls*.

Considered among the best, if not the best, musical from America's post-war golden age of song, *Guys and Dolls* marries Damon Runyon's fast-talking, fast-betting Broadway characters to Frank Loesser's exuberant songs and Abe Burrows' wise-cracking dialogue. The present revival stars Milton Berle, a hero of the early days of television who was intended to be the original Nathan Detroit when the show was first produced in 1950. Berle could not do the show then, but he is still here to do it today as a spry if not so hustling odds-maker at the age of 72.

Cy Feuer, who produced the original production, directs this one. He too shows signs of age, for the play just does not move. It seems to rest inert on an unfortunately wide stage, which gives no sense of depth to the poor characters who have to traipse across a long distance to get close to each other. Milton Berle, the consummate crowd-pleaser, has an unfortunate habit of leaning toward the audience to deliver Abe Burrows' funny lines, as though they were the punch line of a joke. This slows the production down, and the Los Angeles Civic Light Opera company, whose home is the Dorothy Chandler Pavilion, does not share the glamour of the rest of this town, judging by the varied acting capabilities attracted to perform here. One would expect Los Angeles to have the best on stage and screen, exchanging talents the way Broadway did with the fledgling movie industry when it was headquartered in New York. It ain't so.

Anthony Holland and Andra Akers in Division Street

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The message to Moscow

HERR Helmut Schmidt's delivery of a clear message to President Brezhnev—on Afghanistan and on arms control—has shown that the West is beginning to draw some lessons from the events of the past few months. In the immediate aftermath of the invasion of Afghanistan, Western consultations were inadequate, and differences, particularly between France, West Germany and the U.S., were publicly aired. Neither the U.S. nor continental Western Europe appeared to be hearing what the other was saying. The result was that Moscow received the impression that it could divide the West still further by offering blandishments of one kind or another to different European leaders.

Consultations

Now the position in the Western camp is beginning to settle down—following a series of Ministerial and summit meetings over the past two weeks. The differences are still there. The Americans would probably still have preferred Herr Schmidt not to go to Moscow. But at least he did so on the basis of the fullest possible consultations inside the Alliance and he did not deviate from the Western line worked out in those consultations when he got there. Indeed, he repeated it most clearly to President Brezhnev. It is to be hoped that, in doing so, he may have removed any impression that President Brezhnev may have gained from his Warsaw talks with President Giscard d'Estaing that the Western nations can be picked off one by one.

France has not, of course, abandoned its independent foreign and defence policies in the latest round of Western consultations. Indeed President Giscard d'Estaing has stressed them — by announcing the French neutron bomb test and by taking a slightly milder line than his partners on Afghanistan. Quite apart from genuine differences in French thinking on these matters, he is in a pre-electoral period just as much as Herr Schmidt and President Carter are, even if he does not face the voters for almost a year.

What has emerged over the last two weeks or so has been a new and more mature approach to these differences inside the West. It is recognised to a much greater degree that Western democracies have different interests, and different viewpoints, and that they are entitled to them. NATO is not the Warsaw Pact. The aim must be to keep the differences as far as possible inside the Alliance and not parade them in front of Moscow. That being so, the East-West dialogue can go on, especially in field of arms control, where both sides have major security interests at stake.

If, as it would appear from Moscow yesterday, President Brezhnev is now moving towards accepting negotiations on long-range "theatre" nuclear missiles in Europe, then that is a sign that the Western approach is working. Moscow has hitherto been holding back from the negotiating table in the hope that Western divisions would make such negotiations unnecessary. There would be little point in the Russians offering limits on their own missiles so long as the Western plan to counter them with its own weapons looks like falling through.

Last week's NATO meeting in Ankara showed a fair consensus in the Alliance over how negotiations on security matters should proceed from now on, particularly through an early start to SALT III. There are still some differences of emphasis over the approach to the Madrid meeting in the autumn to review the 1975 Helsinki Agreements. But the Ankara talks ended in a reasonable compromise between those like France which wants to play up the disarmament side of the Helsinki process, and those like the U.S., which want to use Madrid to haul the Soviet Union over the coals for its human rights record and the invasion of Afghanistan.

Finlandisation

But it is important that the resolution of Western differences should be more than simply presentational. Despite the unity shown over the last two weeks, underlying tensions between Washington and its partners are bound to continue at a time when the U.S. is a weaker leader, and relatively weaker militarily, than it has been at almost any time since the last world war. The temptation for European Governments to appease the Soviet Union, living as they do in its shadow, is likely to remain strong for the better part of the coming decade. Finlandisation is more than just a catch-word that offends the Finns. The West will have to work hard to keep up the achievements of the past few days, and not relax its efforts every time an immediate crisis appears to have passed.

Loosening up the structure

THE NEW MEASURES on companies introduced by the Government, and the philosophy outlined in a thoughtful speech by the Trade Secretary, Mr. John Nott, mark an interesting and potentially helpful approach to market structure. The Government is not pursuing the full trust-busting policy which might seem a natural expression of its free-market philosophy. Long experience in the U.S. suggests that the head-on assault is cumbersome, expensive and slow, and produces a small result for all the noise and smoke involved. Instead, the Government seeks to encourage change.

Three strands

There seem to be three strands to the Government's approach. The first is to encourage the formation of small companies, which account for a lower than usual proportion of employment and output in this country. This is the main objective equally of the proposal to permit companies to buy their own shares—thus making it easier for their promoters to withdraw their stake without seeking a bidder—and of the tax proposals to make it easier for large groups to sell off subsidiaries as independent entities.

A second strand, much entangled with the first, is an *effort to enable large companies* with idle cash balances to use them creatively. Mr. Nott had some relatively kind things to say about conglomerate mergers, in an otherwise rightly sceptical review of British merger experience in the last two decades. Coupled with the provisions for de-merging, this attitude may encourage companies with suitable management talents to take on the kind of rescue role previously allotted to the National Enterprise Board. Managements without such ambitions may find in the buy-in proposals an opportunity to distribute cash to those shareholders who may wish to seek new ventures, while boosting the equity interest of those who prefer to remain. This practice would also, incidentally, discourage predatory bids aimed at idle cash.

Finally, Mr. Nott aims to give a slightly new slant to existing policy on mergers by placing greater emphasis than ever on the preservation of competitive conditions—achieving some of the philosophy of the Liesner report of 1978 without adopting the rather cumbersome two-stage procedure there proposed.

Mr. Nott clearly hopes that a more vigilant eye on competition will not involve a traffic-jam at the Monopolies and Mergers Commission. His own statement of aims, coupled with the disillusion felt by shareholders at many past mergers will, he hopes, discourage company boards from proposing mergers which would be likely to prove unacceptable. Such mergers would include both horizontal and vertical unions which would significantly restrict choice in either consumer or producer markets, and mergers—as well as business practices—which might discourage new entrants in any particular market. Foreign takeovers in either direction, on the other hand, might actually enhance competition in his view.

As a philosophical approach to competitive markets, this seems admirable. Instead of new nostrums to replace yesterday's cast-offs we have an approach designed to encourage flexibility and experiment and to ensure that the market no longer relies on the progressive growth of acquisitive companies to achieve results better sought by other means—enabling successful entrepreneurs to cash in their rewards, and displacing unsuccessful ones from their management positions.

Powers

Two caveats, however, may be in order. First, Mr. Nott may find himself forced into a more interventionist role than he might wish in a depressed economy where assets are going cheap; he must be prepared to make vigorous use of his powers if necessary. Secondly, he must regard with sharp suspicion the arguments which he is likely to hear in defence of proposed defensive mergers—that free access for EEC competition will of itself protect the buyers. In some markets, foreign entrants may be happy to play by the profitable non-competitive rules.

Why the CEGB is facing yet another inquiry

BY MARTIN DICKSON, Energy Correspondent

THE MONOPOLIES and Mergers Commission is about to descend on the London headquarters of one of Britain's biggest and most important industrial organisations, with annual revenues running into billions of pounds.

At the receiving end of the Commission's efficiency investigation will be the Central Electricity Generating Board, the third nationalised industry to be referred to it under the Government's new Competition Act. British Rail's South-East commuter service and the Severn-Trent Water Authority are also being checked.

At first sight it might appear surprising that the CEGB is so high on the list of nationalised industries to be probed by the Commission. After all, aspects of electricity pricing have been examined twice in the past three years by the now defunct Price Commission, and each time the CEGB emerged with its reputation unscathed.

The immediate trigger of the new investigation was the unexpectedly large rise in prices announced recently by the Electricity Council. Charges are to go up 10 per cent in August—twice as much and two months earlier than had been expected, partly because of rising area board costs and partly in anticipation of large CEGB fuel cost rises.

The Government, keen to be seen to be combating inflation, referred the CEGB to the Monopolies Commission at the same time as the price increases were announced. But there is more to it than just that. The Government—and Mrs. Thatcher, the Prime Minister, in particular—seem to have genuine doubts about the CEGB's efficiency.

Apart from any general suspicions about nationalised industries, the Government seems particularly concerned about the CEGB because it is a monopoly which does not have direct dealings with the public. The electricity supply industry in England and Wales is divided into two parts, with the CEGB providing wholesale supplies of electricity to the 12 area boards, which come under the umbrella of the Electricity Council.

These latent suspicions seem to have been fanned by a series of incidents involving the Government and the generating board earlier this year.

The first was a speech by Mr. Glyn England, the CEGB chairman, who told staff in February *that the board faced a serious financial outlook* and spelt out why. Mr. David Howell, the Energy Secretary, was furious. Mr. England's remarks seemed to smack of negotiating in public at a time when the electricity supply industry as a whole (the CEGB and the Electricity Council) was locked in delicate discussions with the Government over the raising of its 1979/80 external finance limit, the amount the industry may borrow in a given financial year.

A second incident was the sudden announcement by the industry of a dramatic drop in its medium-term forecast of electricity demand. Demand in 1986-87 was now estimated to be 239.4 terawatt hours, 8 per cent lower than the industry's forecast last year and only 6 per cent more than consumption today.

Mrs. Thatcher was not amused. The new figures—prepared by the Electricity Council but announced by the CEGB—came only shortly after the Government had committed itself to a major nuclear expansion programme. In the light of the new forecasts, Mrs. Thatcher asked the Central Policy Review Staff (Think Tank) to re-assess whether Britain needed to go ahead with the two earliest nuclear stations, both advanced gas cooled reactor (AGR) plants. The Think Tank said the plants should go ahead.

But it was not only the Government which was annoyed by the sudden change of forecast.

The forecast was lower by 8 per cent. Mrs. Thatcher was not amused

Only two weeks earlier Mr. England had given a different set of figures to the Parliamentary Select Committee on Energy. "We were furious," says one member. "We could not believe that the organisation had no inkling of what was coming—provided that it was doing a continuous review of its figures."

A further cause of Government concern is likely to have been the CEGB's labour problems at the Isle of Grain power station, in Kent—reflecting the chronic delays and cost over-runs which have afflicted large construction sites across the country, many of them involving power stations.

Against this background the Monopolies Commission was instructed to look at the CEGB, a move which the board itself seems to accept quite happily. The Commission's terms of reference have been set remarkably wide and it is questionable how much it can really get to grips with the CEGB giant in the six months allotted to it, although it can ask for a three-month extension if necessary. It will have to be selective in what it examines. Major avenues it may well explore are:

Prices: Electricity prices rose by 17 per cent in April and are to go up by another 10 per cent in August. Why are they increasing so quickly?

The basic answer is that the price of fuel, which accounts for about 60 per cent of the CEGB's costs, is rising fast and the generating board has little or no control over it. A 3 per cent rise in the price of coal is estimated to add roughly 1 per cent to electricity prices.

But there is a more complicated explanation for the present round of electricity price rises. The industry as a whole reached agreement with the Government that it would put its prices up in two stages this year: by about the rate of inflation in April and by another small stage, probably 3-5 per cent, in October.

In the event, the April increase of 17 per cent did not fully reflect inflation, which meant area boards would have to impose bigger increases later in the year. The second increase also has to reflect the likelihood of a large rise in the price of coal next January. That will be necessary if area boards are to get sufficient revenue to meet the 1980-81 external financing limit.

After a debate on whether to go for higher price rises later or lower ones earlier, the industry decided on 10 per cent in August.

Finance: The Government wants to discover how stringent are the CEGB's financial controls, but there are many people in the electricity supply industry who believe that the Government's *rigorous* adherence to external finance limits may be a major source of inefficiency. With revenue approaching £8bn, trying to reach the target is akin to "landing a Jumbo jet on a postage stamp," in the words of one observer.

The battle earlier this year was a case in point. It began when the industry found that it was going substantially to overshoot the 1979-80 cash limit set for it in June 1979—a net repayment to the Government of £68m.

The major reason for this was that the CEGB had stocked up with very large amounts of fuel in advance of the winter, fearing industrial action by miners and harsh weather. In the event, the miners did not strike and the weather was mild. The CEGB ended the year with £190m worth of fuel which had not been allowed for at the time cash limits were set.

The Government eventually agreed to expand the cash limits by £300m (of which about £250m will probably be needed), but it did so very reluctantly. At one stage the Government even suggested a formula whereby the industry would have deferred payment of some of its bills until the 1980/81 financial year (with the agreement of those who were owed money), a move which would have bitten away at this year's cash limit.

The 1980/81 cash limit has been set at £187m, which the industry believes will force it to cut planned expenditure of the area boards and the CEGB by a total of about £100m. The generating board, for its part, is holding manpower constant, reducing maintenance work and also cutting items from its capital programme.

But with fuel accounting for 60 per cent of the CEGB's costs and capital charges for another 16 per cent, it is not easy for the board to pare back further. As it is, the CEGB evidently believes it has done well to contain its costs since the 1973/74 oil price rise — as the graph from its annual report demonstrates.

Planning: Matching future electricity supply and demand is an extremely difficult task: it can now take 10 years or even longer from a decision to build a power plant until commissioning day. Establishing just how large demand will be 10 years hence is almost impossible—and the CEGB seems no worse at it than anyone else.

Stocks of fuel rose but there was no strike and the winter was mild

As if these difficulties were not enough, planning delays and endemic labour disputes on some of its large industrial sites mean that it is hard to tell just when plant will be ready. The Isle of Grain power station is four years behind schedule and its estimated costs have risen from £209m to £556m.

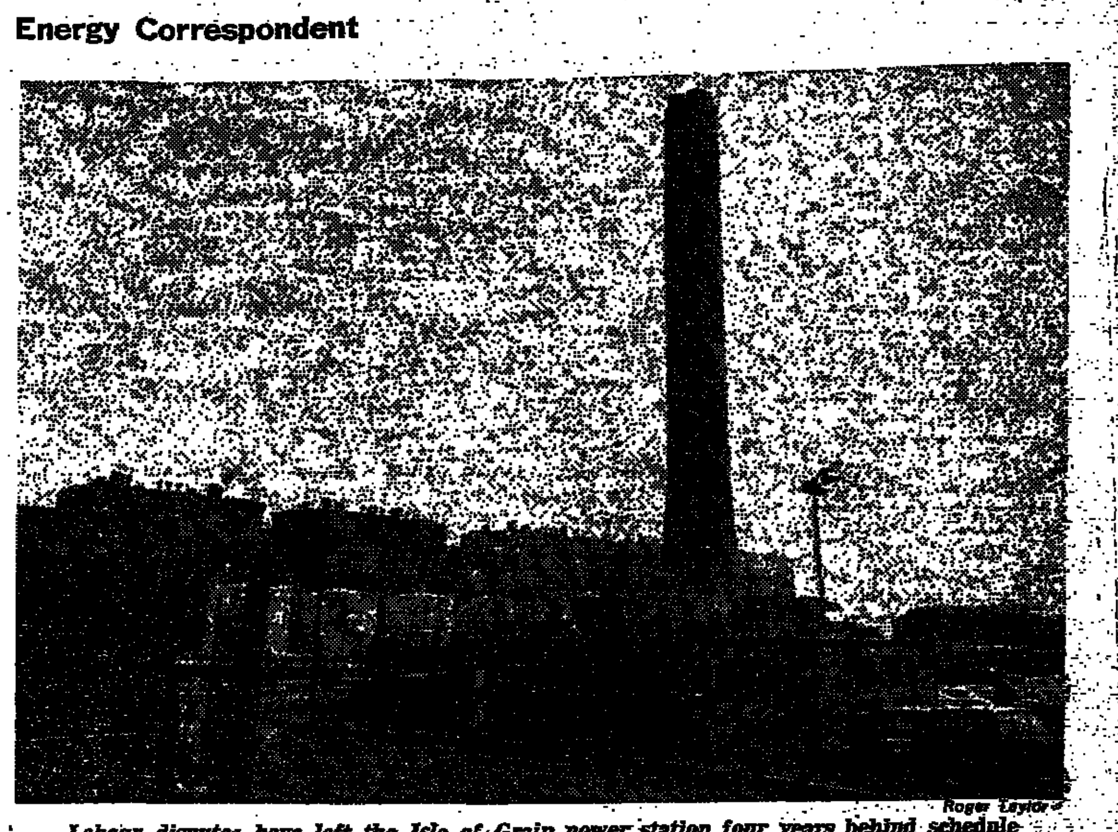
For much of the 1980s the CEGB is likely to have substantially more plant available than it needs to meet its so-called "planned margin"—the 28 per cent excess capacity to cope with sudden contingencies. However, this will allow it to phase out some elderly plant and replace it with cheaper, more efficient new nuclear stations.

In the 1990s the position will change completely, for a large part of the capacity commissioned in the 1950s and 1960s will be coming to the end of its life. The CEGB reckons that between 30,000 and 40,000 MW of existing capacity will need to be retired by the year 2000. Replacements will be needed—and more power stations will be required to meet the demands of economic growth. The Government-approved plan to order a nuclear station a year during the 1980s is intended to pave the way for a substantially faster rate of ordering during the 1990s.

The Monopolies Commission could become embroiled in a large number of other contentious issues, such as the CEGB's manning levels, its management of large construction sites and its internal flow of information. What no one is likely to question is the board's technical efficiency, an area where it is widely regarded as the best in the world.

It may well be that the Commission will report that there is not much wrong with the CEGB—as the Price Commission has before it.

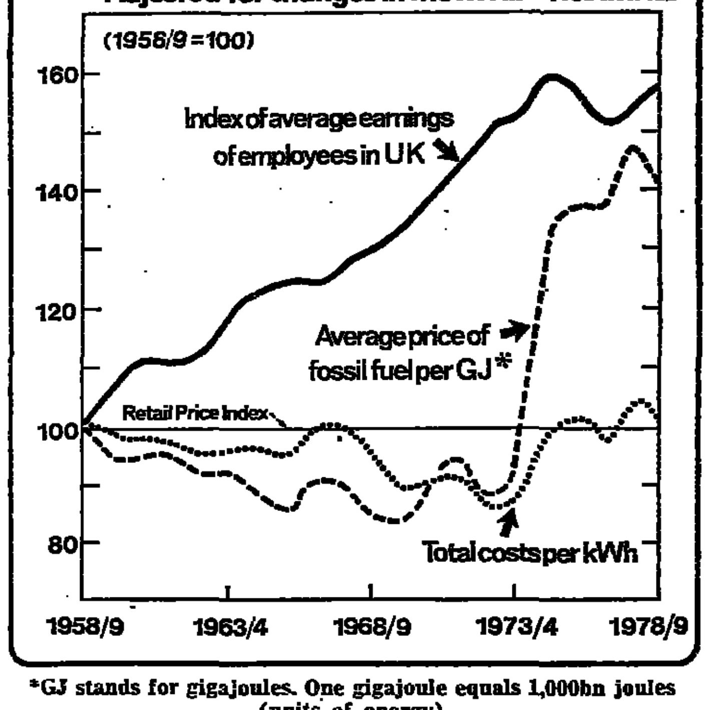
But whatever conclusions it reaches, there seems at least one area where the board can improve matters: in its communications with the Government. Many of the incidents of the past few months seem to have stemmed in part from misunderstandings or a failure to pass on information. With a Conservative Government deeply suspicious of all nationalised industries, the first requirements for the CEGB would seem to be a degree of political foresight and good lines of communication.



Roger Taylor

Labour disputes have left the Isle of Grain power station four years behind schedule

CEGB Costs
Adjusted for changes in the Retail Price Index



*GJ stands for gigajoules. One gigajoule equals 1,000bn joules (units of energy)

MEN AND MATTERS

Sharp dips into a new well

Images of Tweedledum and Tweedledee sprang instantly to mind recently when Ernest Sharp resigned from Grand Metropolitan after 16 years, leaving his "other half," Stanley Grinstead, in charge and heir presumptive to Maxwell Joseph. In the event, according to Sharp, 49, reflections on Jack and Jill might have been more appropriate. "I did not want to carry on taking the same bucket to the same well for another 16 years," he told me yesterday, on the news that he is to take over the chair of Giltspur, the exhibitions-to-upholstery conglomerate, from his old boss, the same Maxwell Joseph.

Joseph, now 70, says he is easing off. Sharp, on the other hand, is busily building a new career, and offers are still arriving in gratifying numbers. "I never felt those years at Grand Met had been wasted, but I did sometimes think that they had not been noticed," he said with admirable modesty.

While his reticence seems rather overdone, considering that in close harmony with fellow accountant Grinstead, Sharp helped build Grand Met from its property foundations to an all-embracing multi-million pound group, I suspect he will be sparing with acceptances of bids for his time and talents.

"I still have some other directorships, and I have one or two private things which started in an embryonic way and *are becoming* more time-consuming," he added cryptically. And then there is the matter of Giltspur, where he has already spent many years on the board, and which in structure if not interests, closely resembles the decentralised but tightly-controlled Grand Met empire. The prospects for growth on the formula he applied under Joseph, have clearly caught Sharp's eye. Indeed, he has something of a head start. "Giltspur is already three times as big as Grand Met was when I joined it," he noted with some satisfaction.

Seeds of dissent

The anxiety apparently felt by the American people about the diminution of their nation's temoral power may be somewhat eased by recent Mexican protests suggesting that the "colossus of the north" has moved its political strategy into areas hitherto regarded as acts of God. The United States, claims the Mexican Meteorological Office, is racking its southern neighbour *with droughts by* "seeding" hurricanes as they head across the ocean — the climatological equivalent of chucking a brick through the window.

My acquaintance with meteorology is slight, but, says my man on the windswept hill, "seeding" is the cunning trick of introducing a substance such as silver salts into the hurricane. This causes its moisture to precipitate out, the wind speed to slow and the calm "eye" of the storm to expand. The effect *of such* premature ditching of rainfall is drought, says Mexico, and it is claiming compensation from the U.S. The Americans, in a touching display of modesty, deny the whole thing.

On their honour

Is there, I wonder, a case for arguing that judges should have a register on which their interests are publicly declared? The Members of Parliament who make the laws are bound by such an obligation—so why not the judges who administer those laws?

The thought struck me after two Hhigh Court judges this week felt obliged to mention that they held shares in two companies appearing before them. The Vice-Chancellor, Sir Robert Megarry, admitted a "modest" holding in ICI, which was suing Berk Pharmacerticals. He would not start the case until Berk's managing director had agreed that he had no objection to the judge's hearing the case. Meanwhile Mr. Justice Chapman *disqualified himself from trying* a case involving Barclays, because his own holding of the bank's shares.

There is, of course, no suggestion that judges have ever been anything but scrupulous in declaring such interests. I recall one who, some years ago, admitted with embarrassment that he had been an agent for the insurance company appearing before him. Others declare from time to time that, before reaching the bench, they represented as counsel companies in the case they are about to try. There would be practical problems in compiling such a register. Is an interest necessarily a financial one, for example? Could a Conservative rightly resent appearing before a former leading light in the Society of Labour Lawyers? Could a Trotskyite object to a judge with a Mosleyite record? The issue is, fortunately, more interesting than it is pressing. The fact that nobody has yet demanded such a register is itself testimony to the high reputation of the English judiciary.

Dog's life

Despite their legendary nine lives, cats are, for actuarial purposes, only human. In which case, argues the RSPCA, insurance against ever-rising medical bills is a useful precaution to take. Accordingly, it is endorsing a scheme launched by Glanvill Enthoven (Midlands) to cover cats and dogs against medical fees, with "accidental death and recovery costs" and third-party claims up to £250,000 *as optional extras.*

The scheme is felicitously named PAWS — Pet Animals Welfare Scheme. "A stitch in time saves canine and feline" is its proud boast — the stitch in his case amounting to a £12 basic premium for dogs, and £11 for cats. Its appeal is pitched at the practical rather than sentimental punter: "Pets can 'go wrong' the same as property, equipment and cars," the brochure somberly notes.

Similar schemes are already *in operation, but the RSPCA says it* has chosen to endorse Glanvill's because it has worked with the company in the past, and believes the rates to be competitive. For Glanvill, it is something of a toe in the water. If successful, says director Leonard Keen, it may be extended to other animals, such as ponies.

Even that, he concedes, may leave an unsatisfied residue of anxious pet-lovers. "We have had some peculiar inquiries," he tells me, "including whether a *parrot* could be insured against losing its voice." Risks of that magnitude, he feels, are best dealt with through Lloyd's.

Ties that bind

Overheard in a Twickenham pub: "We can't afford a holiday this year, so we're going on an ill-will tour of our relations."

Observer

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FINANCIAL TIMES SURVEY

Wednesday July 2 1980

Dutch Capital Markets

The Government, the banks and the insurance companies are the dominant fund raisers in the Dutch capital markets while industrial borrowers hold back. Interest rates have been at record levels recently though a cut in bank rate last month signalled the end to a steady two-year climb in the cost of money.

Mixed views on outlook

By Charles Batchelor

THE TONE of the Dutch capital markets in the past year has been set by a public sector with an apparently insatiable appetite for funds and an industrial sector with little stomach for investments. Interest rates have been at record levels and the market for issues by the Government, the banks and the insurance companies quite active. Industrial borrowers have been conspicuous by their absence and the performance of the stock exchange has been desultory.

The view taken by banking economists of the country's economy varies from the very sombre, at one extreme, to a more broadly accepted middle-ground view of qualified pessimism. The official commentators, from the Nederlandsche Bank to the Central Planning Office, stress the problems facing the economy.

This gloomy outlook needs to be put into some perspective however, by setting the Netherlands' performance against that of its European neighbours. It comes well out of this comparison. Inflation in the Netherlands is low, wage costs have been restrained, it has no official foreign debt, the currency is strong and major government programmes aimed at reviving industry are getting under way.

The coming months will see increasing political activity in the run-up to the general elections scheduled for May. Only three of the Netherlands' 14 post-war governments have served their full term. The four-seat majority which the Centre Right coalition, led by the Christian Democratic Prime Minister Mr. Dries Van Agt, has in parliament makes it very vulnerable to a small number of dissenting MPs on its Left wing.

The country's economic problems have absorbed much of its attention in recent months. A Cabinet split over the size of an emergency package of spending cuts led to the resignation of Mr. Frans Andriessen, the Finance Minister, in February.

It must be said, though, that post-war Cabinets have not tended to stumble over economic questions; an issue such as abortion law reform remains one of the jokers in the pack. Previous governments have fallen on seemingly minor issues which have acted as a focus for other more deep-seated disagreements.

The Government did stumble though at the end of last month, over its refusal to ban oil shipments to South Africa: but it narrowly survived a no-confidence motion.

One banker said: "In the short term the shade of government will make little difference. No government can ignore the fact that half of the national income is earned abroad."

The issue is not quite as clear cut as that. A Left-wing coalition is likely to put priority on levelling off top incomes and maintaining the link between socal security payments and wages. If the present Centre-Right coalition continues in power it will probably step up its efforts to uncouple some parts of the highly-indexed wage and welfare structure while maintaining as far as possible income differentials.

The close link forged by successive Dutch governments between the incomes of those in and out of work was picked up by the Organisation for Economic Co-operation and Development in its recent report on the Dutch economy. "The attempt to realise a large number of social and economic aims simultaneously has led to disparaties or counter-productive elements in policy programmes," it commented.

The OECD forecast a 1 per cent growth rate for the Dutch economy this year. This is at the top end of the range of official and unofficial forecasts which at their gloomiest foresee nil growth.

KEY ECONOMIC STATISTICS
(percentage changes)

	1977	1978	1979	1980
Volume private consumption	5	3.5	2.5	0
Volume gross company investment	18	5	3	−2
Visible export volume	−1.5	3	9.5	1
Visible import volume	2.5	6	6.5	−2.5
Volume production by companies	3	2.5	2 to 2.5	1
Real national income	3	2	0.5	0
Cost of living (average family)	6.5	4	4 to 4.5	6
Wage costs per unit product	4	3	2	3
Current account balance of payments (Fl bn)	2.3	−2.3	−4	−1
Unemployment (000)	204	206	210	225

Source: Central Planning Office—1980 Economic Plan.

Dependence

The repeated oil price rises have depressed most of the Netherlands' foreign markets. West Germany which is the country's largest trade partner, has performed better than most but some Dutch economists view its dependence on imported oil with growing alarm.

Stockbuilding by many of the Netherlands' foreign customers in 1979 has also dampened demand this year. These short-term factors have added to the structural problems of Dutch industry. The large petrochemical sector is vulnerable to higher oil prices. The Netherlands is under-represented in the capital goods industry and strong in those sectors such as foodstuffs where the added-value element is small. High wage and social security costs reduce Dutch competitiveness.

These structural weaknesses are now being tackled however. The Government has set aside nearly Fl 29bn ($14.5bn) to finance industrial renewal over the next five years. More than Fl 22m will be spent on encouraging investment. A further Fl 4.5bn will go on solving the problems of industrial sectors in difficulties, replacing previous support given to individual "lame ducks." Another Fl 2bn will help the development of new technologies and their applications.

In the short term little increase is expected in exports this year. The planning office foresees a 1 per cent rise in volume though some banking economists think growth will be lower. Stagnant domestic consumption levels are likely to lead to a fall of about 2 per cent in imports. A worsening of the terms of trade means that no improvement in the overall trade balance is expected. The Dutch visible trade deficit on a transaction basis was Fl 3bn ($1.5bn) in 1979.

The visible trade position offers no comfort but the surplus on visibles is expected to rise from the Fl 650m figure last time. More people are taking holidays in their own country and the traditional deficit on foreign travel should be lower.

The current account balance of payments deficit is expected to fall in 1980 after amounting to record Fl 4bn or 1.5 per cent of national income on a transaction basis last year. The Central Planning Office expects a deficit of Fl 1bn though private economists think this is too optimistic. Some forecast a deficit of Fl 3bn or more.

If deficits of this size are maintained they are likely to become a major problem for the authorities, restricting still further the Government's room for manoeuvre. One of the main reasons for the swing into deficit between 1977 and 1978 was the disappointing level of gas revenues.

If the country's energy balance moves into deficit in the 1980s without a strengthening of the industrial sector then major problems are foreseen. Inflation is one of the bright spots on the economic picture although it is rising. The planning office forecasts an increase of 6 per cent this year compared with 4.25 per cent in 1979. Once again though banking economists feel the planning office has fed over-optimistic assumptions into the computer. Their forecasts for inflation range up to 7 per cent.

The Dutch also have been remarkably successful in restraining wage costs in recent years, in contrast to the strong growth of the early 1970s. Dutch wage levels are still high but they are now rising more slowly than in other European countries, even allowing for the firmness of the guilder. The planning office expects labour costs per employee to rise by 6 to 6.5 per cent this year, an unchanged rate of increase on 1979.

Wage moderation has been guaranteed this year by the imposition of strict controls. The Government has limited rises to a lump sum of Fl 26 a month and refused to allow the usual summer adjustment of wages to prices.

The unions have responded by agreeing two years' wage contracts with the employers which guarantee a resumption of price compensation next year. The Government is fairly satisfied with the agreements that have been reached so far. The unions are not happy with the wage curbs though, and if the Government tries to prolong its wage control into 1981 a serious conflict could develop.

The Government will not be able to meet its target of reducing unemployment to 150,000 by 1981. The jobless total is expected to rise by 15,000 to 225,000 this year. More than 5 per cent of the working population is out of a job.

Budget deficit

Efforts are now being made to reduce state spending which threatens to push the budget deficit to a record level this year. The Government recently cut Fl 3bn off its spending programme and it is apparently considering cutting Fl 6bn off 1981 spending. The Central Bank has backed its fight against inflation with controls on bank lending and, until recently, curbs on the granting of consumer credits. The banks are allowed to lend on long-term borrowings without restriction but the growth of lending funded by short-term borrowing has been limited to 7 per cent. The smaller banks have been allowed an extra percentage point of growth.

The larger banks say that the credit restriction has not affected their business since credit demand is not large. The smaller banks have felt the pinch though. Dr. Jelle Zijlstra, the Central Bank's governor, does not see his restrictions as reflecting a particularly tight monetary policy. Money supply has been allowed to grow at a faster rate than national income over the past two years. The curbs are intended though as a clear signal to the Government to reduce its financial deficit.

The need to keep the guilder in line with the Deutsche mark has meant that interest rates have been kept high in recent months though the relative strength of the Dutch currency allowed a 0.5 per cent cut in bank rate to 9.5 per cent on June 23.

The guilder has maintained a stable midway position with the European monetary system in recent months. The authorities are determined that that is where it will stay.

The medium-term outlook for the Dutch economy, barring upsets, is a resumption of slow growth. A hopeful sign is the growing consensus that the business sector should now be given room for growth after a long period in which the state and the consumer were given priority.

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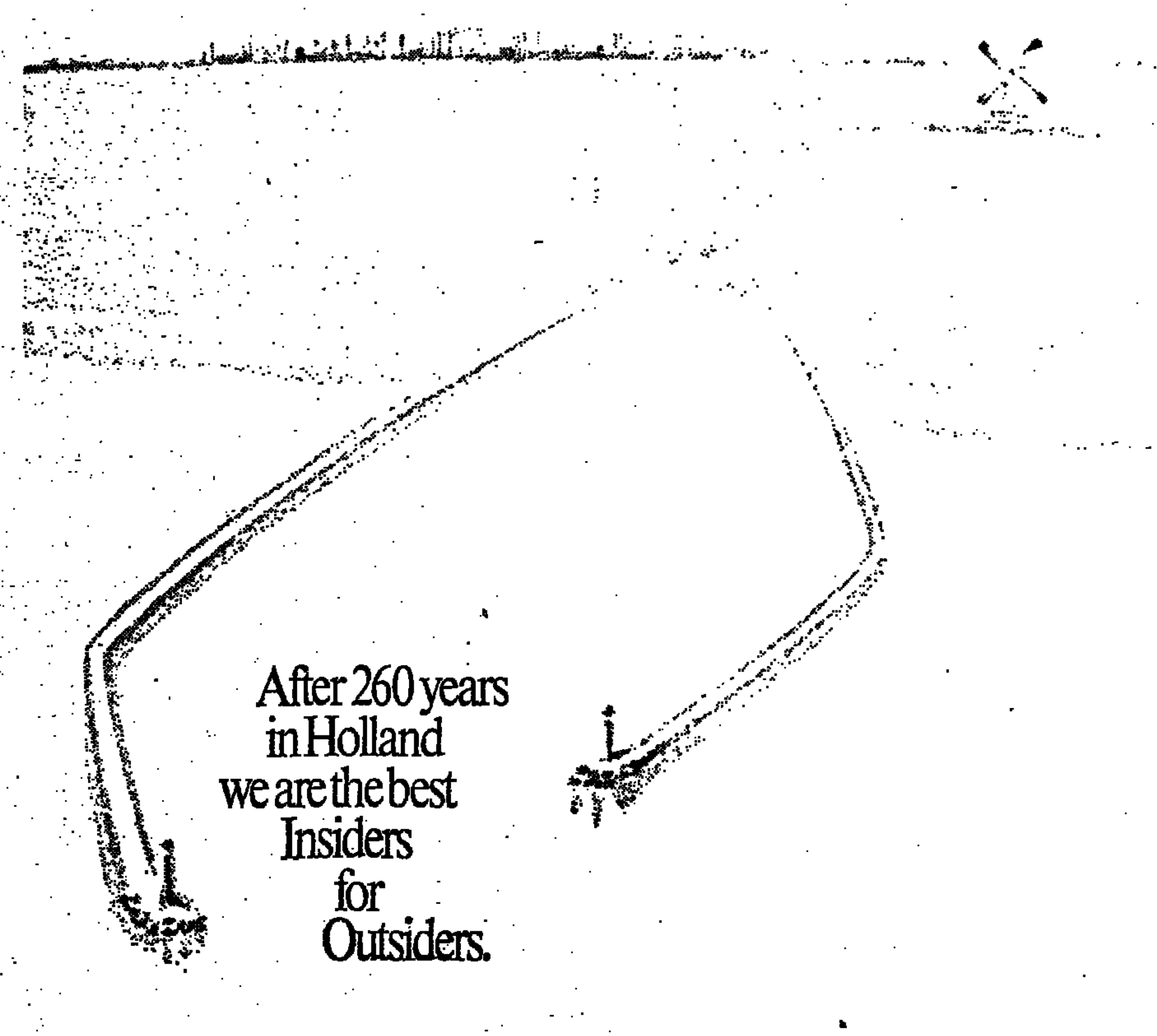

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General banks forced to lend longer

THE BASIS of the Dutch banking system is the "general bank"—a private sector bank which is becoming steadily more like a West German universal bank despite the fact that the character of the Dutch financial system is more similar to that in the UK or the U.S.

The 10 independent general banks account for 64 per cent of all bank assets in Holland. This group is dominated by the "big three"—Amro Bank, Algemene Bank Nederland (ABN), and Nederlandsche Middenstandsbank (NMB)—which together hold 80 per cent of the assets of the general banks.

The fourth largest bank in Holland is the very different Rabo Bank—a co-operative of 1.000 agricultural credit institutions which has recently branced out into the business of non-agricultral lending and which is now developing its international side, too.

The financial system is Anglo-Saxon in character in that it features investing institutions—insurance and pension funds—as major intermediaries in the flow of savings. *According to the Interbank Research Organisation*, the share of these institutions in the assets and liabilities of the Dutch non-banking sector is, at around 40 per cent, higher in Holland than in most other industrialised countries.

Exceptional

With these institutions goes a tradition for investment in securities in Holland and a well-developed stock and bond market.

About 15 years ago, it was exceptional for a general bank to make medium- or long-term loans to industry; general banks confined themselves to the same sort of short-term business as the British clearing banks.

But, as in Britain, various forces have pushed the corporate sector increasingly towards these banks for longer-term funds. The greatest of these forces has been the steady erosion of the profitability of Dutch industry and the poor state of the equity market, which together have made equity finance by industrial companies a rarity during the past decade.

The general banks have increasingly moved into the gap, and have been motivated to do so, moreover, by credit limits established by the Central Bank as a means of monetary control.

These encourage banks to fund themselves with long-term money and therefore to lend long-term as well. Thus, medium- and long-term assets have grown from around 18 per cent of the total assets of all general banks in 1970 to about 25 per cent today.

The question in Holland now is whether Dutch banks should begin providing equity capital for companies — thus formalising what have, in many cases, become an effectively indefinite commitment to supply credit.

The Central Bank, ABN and Amro are all unenthusiastic about this idea for prudential reasons. But NMB, which specialises in banking for the small company, quite strongly advocates the change.

It sees equity finance as the logical development of the need for today's bank loan officers to understand the businesses to which they are lending. They might as wel monitor an equity involvement as a long-term loan involvement, the NMB argues.

At the moment, a Dutch bank is prohibited from having a permanent shareholding in another company of more than 5 per cent. NMB believes the emphasis of the rule should be reversed and that each bank should be alolwed to hold shares in any amount up to a certain proportion of its own shareholders' funds—say, 10 per cent.

NMB has the most striking recent growth record of the big general bansk. The rate of expansion of its balance sheet has never fallen below 20 per cent a year over the past five years. Last year its after-tax profits advanced 24 per cent. This was well up on that of Amro—8 per cent—and ABN, which barely increased its earnings at all. Moreover its earnings expressed as a percentage of shareholders' funds were 18 per cent last year compared with around 11 per cent for its two competitors.

NMB's loan portfolio consists of 80 per cent loans to small and medium-sized companies. (A medium-sized company in Holland is regarded as a company with more than 100 employees.)

In line with the long-established tendency in Dutch banking for all banks to compete in all areas of the banking business, NMB is expanding resolutely into the business of dealing with larger companies while the other large general banks are intent on emulating NMB in making profitable loans to small companies.

As they do so, they may well find that the pressure upon them to provide equity finance increases. It is particularly problems of succession in smaller companies which generate the need for a bank to protect the value of its loan assets by shoring up a company's share capital. For it seems that the Dutch investing institutions are not pulling their weight in providing equity finance directly to industry.

Expanding

The investing institutions have become increasingly averse to equity. A typical fund will nowadays have only around 10 per cent of its funds in shares, preferring bond investment either through the public market or through the curiously-*named "underhand loans,"* which are essentially private placements of long-term debt.

The big banks are conspicuous in making fairly frequent issues of equity and even more frequent issues of bonds, supplemented with such private placement finance. They have developed, rather curiously, into intermediaries between the Dutch investing institutions and industry to a greater extent than is the case in the UK.

The other two of the big three banks are more alike in character. Both Amro and ABN were formed by mergers in 1964. Those mergers were part of a steady process of concentration in the Dutch banking business which has reduced the number of general banks from more than 100 in the 1960s to only 20 independent units today.

ABN is notable for its large network of branches abroad and for its substantial investment in banking subsidiaries overseas. Amro is the leading retailer among the general banks in the Netherlands with 845 branches, though it is dwarfed by the 3,100 outlets of the Rabobank system.

Of the two, Amro currently produces a marginally better return on shareholders' funds and total assets.

Although the rate of earnings improvement of both slowed noticeably last year from that achieved regularly in the late 1970s, the profitability of the top three general banks has been well sustained across the decade, with the return on shareholders funds rising from 10.5 per cent early in the decade to around 12 or 13 per cent today. Adjusted for inflation, of course, this performance is less reassuring.

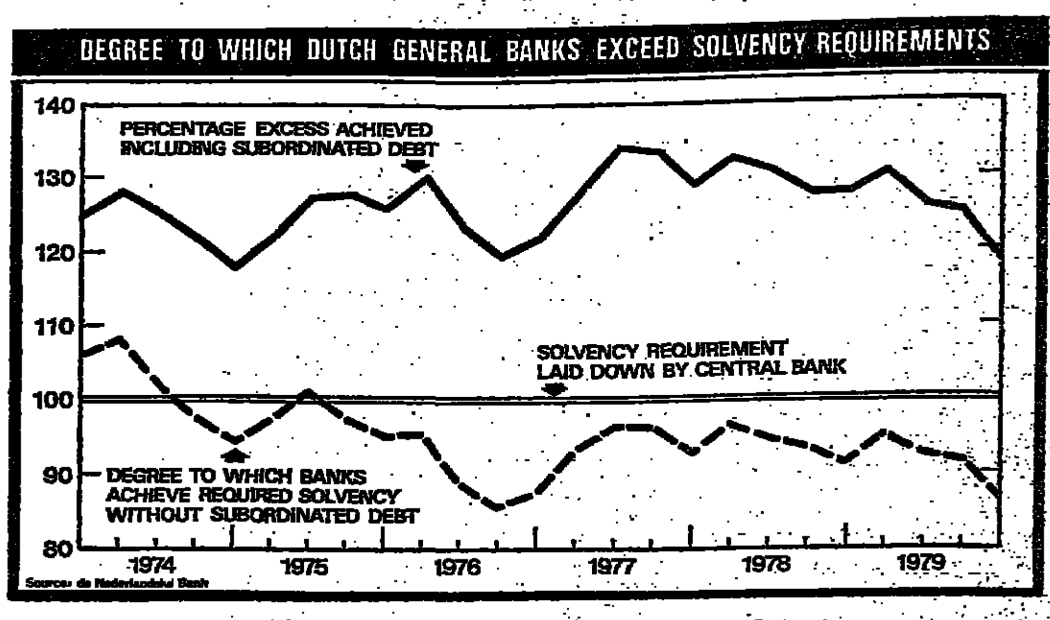
One peculiarity of both Amro and ABN is that they both have subsidiary general banks with well-established names whose functions overlap to some extent those of their parents.

ABN owns Bank Mees en Hope, while Amro owns Pierson Heldring Pierson, both acquisitions took place in 1975 and both reflected the need of these more specialised banks for access to the capital and deposits of a larger operation.

This, in turn, probably reflected the rise of bank finance relative to that of security finance in Holland. Amro adopts a strictly hands-off approach to Pierson, while ABN appears to have some influence on the activtities of Bank Mees en Hope.

Nicholas Colchester

DEGREE TO WHICH DUTCH GENERAL BANKS EXCEED SOLVENCY REQUIREMENTS



Foreign banks find tough competition

THE NETHERLANDS has proved a popular centre for foreign banks, thanks to its long trading tradition and the large number of internationally-active companies operating there. It has also shown itself to be a very tough market to penetrate in competition with the large and sophisticated local banks.

After the early optimism of the past two decades, some of the foreign banks have been cutting back on their operations and more are expected to do so shortly. While foreign bankers praise the flexibility of the Central Bank in responding to their needs, the Bank's curbs on credits have made life especially difficult for them.

In the early 1960s, four foreign banks were registered in the Netherlands compared with 114 independent domestic banks. These four accounted for only a few per cent of the market in terms of balance-sheet totals.

But the picture changed radically over the next two decades. Foreign banks now number 37, whereas domestic banks have bee nreduced to 20, largely through mergers. The market share of the foreign banks has risen to around 13 per cent, though their share of the domestic market is lower, at 7 per cent. Another nine foreign banks have a representative office in the Netherlands.

Diverse

British, American and Japanese banks led the first wave of foreign entrants to the Dutch market, until the mid-1970s. Since then, the foreign banking community has become more diverse, and now includes institutions from Panama, Hong Kong, Canada, Brazil, Greece and Spain. Spanish banks are among the most recent arrivals, spurred by the prospect of Spain's EEC membership, and Banco Espanol en Hollanda and Banco de Vizcaya have now established a base in the Netherlands.

Foreign involvement in the Dutch banking scene goes back much further than the post-war period. Banque de Paris et des Pays Bas dates its involvement in the Netherlands from 1872; another French bank which considers itself more Dutch than foreign is Banque de Suez Nederland, which was established under another name in 1929. Both of these banks are incorporated in the Netherlands.

The American presence is strong and includes Bank of America, Citibank and Continental Illinois. U.S. banks are also well represented, indirectly, through their holdings in Dutch Banks. J. P. Morgan Capital Corporation owns half of Bank Morgan Labouchere, while Chase Manhattan has nearly a third of Nederlandse Credietbank.

The British banks are also active through local branches or holdings in Dutch institutions. Lloyds Bank International has a Dutch branch, as do Barclays Bank International and Standard Chartered Bank. Barclays also has an 80 per cent holding in Barclays Kol and Co. while National Westminster owns 25 per cent of F. Van Lanschot.

Balancing factor

"The large scale immigration of foreign banks has provided a balancing factor in our financial markets," Mr. H. J. Muller, a director of the Dutch Central Bank told foreign bankers earlier this year. "The Nederlandsche Bank (Central Bank) consistently pursues an 'open-door' policy vis-a-vis the establishment of foreign banks."

Licensing requirements for the foreigners are identical to those for domestic banks though the foreign parent or head office must be "a bank of good reputation." While foreign bankers accept that the Dutch regulatory authorities act fairly by equal treatment of foreign and domestic banks, hte different structure and character of the non-Dutch banks causes some problems. The Central Bank has gone some way to meeting these complaints but, as Mr. Muller pointed out, it is restricted by the requirements of its own monetary policy.

Help has been given in three areas. The foreign banks, with more limited access to long-term funds than their Dutch competitors, have been harder hit by the credit curbs. These limit the growth of lending funded with short-term borrowings but allow long-term borrowings to be passed on without restriction.

Banks individually have been allowed a 7 per cent increase in lending this year though the smaller banks, mostly the foreigns, have been given extra leeway to bring the total rise in lending to 8 per cent. This additional volume amounts to an extra 12.5 per cent of the total but is, the Central Bank admits, still a meagre portion among so many institutions.

The Central Bank also makes allowances in its solvency requirements. The requirements for so called "large items" and the individual lending limit of 25 per cent of a bank's own assets cannot be meaningfully applied to the capital invested in a foreign branch. Ratios are therefore applied to the net worth of the home office.

The liquidity requirements have also been cautiously eased in recognition of the branch

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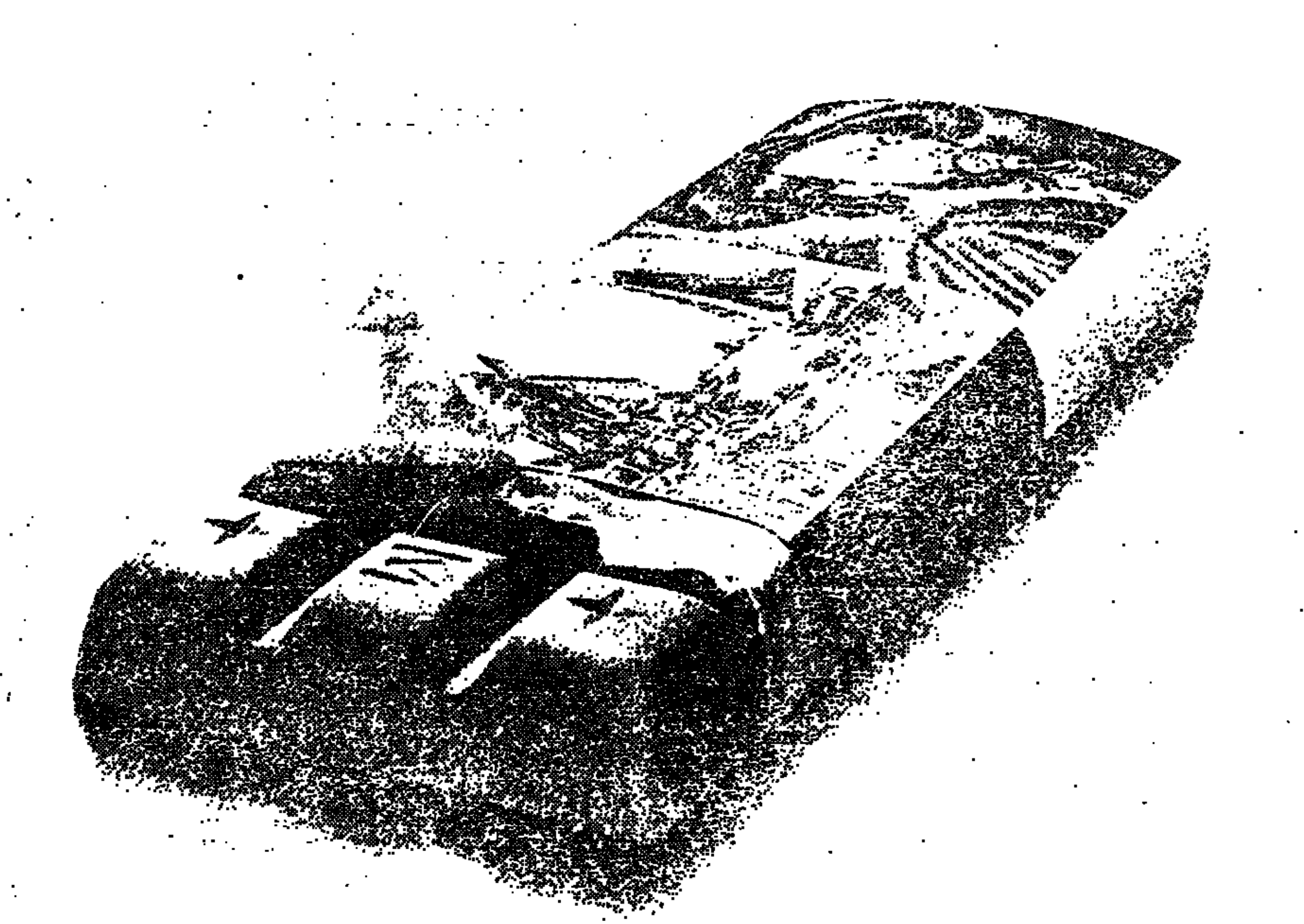
Dutch imports around Dfl. 115,000 million.
Dutch exports around Dfl. 110,000 million.



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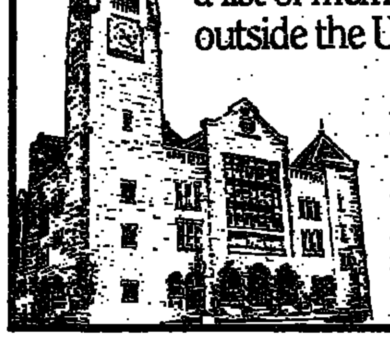

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Modern Central Bank prefers transparent supervision

TO THE BRITISH eyes the Nederlandsche Bank seems a model of a modern European central bank. In contrast to the Bank of England's historic corridors it sports a bright, bland and modern office block. In contrast to the Bank of England's close control by Government, it has almost as much freedom of manoeuvre as the German Bundesbank. In contrast to the Bank of England's traditionally informal and somewhat obscure style of banking supervision, the Nederlandsche Bank prefers a transparent set of rules which it applies to banks without discrimination.

The Netherlands escaped major banking disasters in the mid-1970s, although the backwash of the Herstatt crisis did affect the smaller Dutch banks and there were some significant mergers of small banks into larger ones in 1975. But an earlier bank failure, that of the Texeira de Matos Bank, in 1967, had a similar effect in stimulating a new formulation of the central bank's role in supervising the Dutch credit system. The revised Act on banking supervision came into force in January 1979, although much of the rethink which had gone into it was applied before that date.

Deterrent

The new Act gave the Nederlandsche Bank the power to enforce changes where previously it could only advise them. Previously the Central Bank's ultimate deterrent was the public exposure of wrongdoing—useless in that this would probably provoke the crisis it was meant to avert—now the NB can order a "secret manager" into any bank which fails to obey its regulatory instructions.

The NB is charged with three areas of supervision—prudential control to keep Dutch banking safe; structural control, through which, jointly with the Finance Ministry, it controls the shape of the credit business in Holland; and monetary control, where it is formally subservient to the wishes of the Ministry of Finance but in practice enjoys a fair degree of independence.

Perhaps because the Central banking law has been so recently revised the NB's approach to prudential control is strikingly up to date. The NB has been applying solvency *testing to the international* consolidated balance sheets of each credit institution since 1977. The solvency rules lay down a minimum level of "own funds" against different types of asset. From these ratios, and depending upon the structure of Dutch bank asset portfolios at any moment, the NB arrives at a "grand total" of the required capital-to-asset ratio at that moment and an actual ratio revealed by the figures from the banks. The relationship between these two figures is then used by the NB as a public guide to the extent to which banking in the Netherlands is remaining prudent.

In recent years the NB has been drawing consistent attention to the fact that, by this measure of safety, banking in the Netherlands is deteriorating. The graph shows how, when the actual ratio of own funds to assets is expressed as a percentage of the required ratio, overall solvency has deteriorated since 1977. Solvency exclusive of subordinated debt dipped below the required level in 1975 and has never been above it since.

The NB has tended to relax its rules over the period since the general solvency ratios were first collated in 1973. At that point the ratio of "own funds" to risk-bearing assets was required to be 9.7 per cent. The actual ratio was then 11.9 per cent, of which 1.8 per cent was accounted for by subordinated debt. At the end of last year the required ratio was down to 7.5 per cent while the actual figure was 8.9 per cent, of which 2.4 per cent was attributable to subordinated debt. In fact, this required level of 7.5 per cent has been maintained more or less unchanged since 1977. But despite finger-wagging from the NB, the achieved figure has inched steadily downwards.

The forces pushing the figure down are discussed in the article on banking in the Netherlands. It is worth noting here that there are now arguments for moving the required ratios upwards. The solvency requirements do not treat interbank deposits and loans to the Government or to Dutch state concerns as risk-bearing assets. Both the first and the last of these are increasingly questionable assumptions.

More strikingly, the rules do not treat risks to sovereign governments abroad as risk-bearing assets (though they do not exempt loans to foreign state enterprises), and this at a time when "country risk" is one of the main topics of any debate about the safety of international banking.

The NB's rules on the liquidity requirements for banks, which ensure that banks have adequate liquid assets to meet sudden calls for repayment of loans and deposits extended to them, are particularly interesting to the British observer. They have anticipated the controversial "liquidity paper" which the Bank of England recently circulated to banks in the City and they resemble the Bank of England's mooted approach to a remarkable extent.

Concordat

Liquidity rules have been in force in the Netherlands since 1977. Unlike the NB's solvency measurement, these rules do not apply to the internationally consolidated assets and liabilities of each bank but only to its domestic business. This is in line with the concordat between Central Banks agreed in Basle in 1975, whereby banking solvency would be monitored via parent banks, while liquidity would be monitored by the host countries.

The NB's approach to liquidity control resembles that of the Bank of England in that liquid assets must be held against the *net* liabilities in various categories and maturities — that is, after matching assets and liabilities have been cancelled out. Like the Bank of England, the NB pays particular attention to interbank liabilities of short maturity. The NB rules regard interbank assets of less than one month as fully liquid assets, but the quid pro quo is that interbank liabilities — i.e., short term funding in the money market —must be 100 per cent matched by liquidity.

The fact that there has been less of an outcry about this in the Netherlands than there has been in the City of London probably reflects the relatively small number of "wholesale banks" operating in Amsterdam relative to the number in the City.

Yet the foreign banks operating in Holland do feel the liquidity pinch and the NB's response to their special pleading has been characteristically logical. To the extent that they fall short of the required amount of liquidity, the foreigners can present documented standby facilities granted by their parent banks as a substitute. In the eyes of the NB this concession enables foreign banks to remain prudent without eroding their competitive position in the Netherlands.

To soothe the feelings of banks in London, the Bank of England's Governor said recently that the liquidity guidelines were "consultative papers, not tablets of stone." The NB takes a rather more formal view of its rules. "Our rule-book is a loose-leaf folder," one NB official says, implying that the pages may be replaced from time to time but that so long as they are in place their contents are binding. Yet the fact that today's solvency and liquidity directives are presented in an admirably clear slim volume dated March 1977 suggests that the leaves have been none too loose since the Banking Act took its final form.

In the matter of monetary control the NB is notable in two respects. First, there is less addiction to targets of monetary growth than is now fashionable in most Western economies. The NB's monetary aim focusses on the liquidity ratio — the supply of liquidity in Holland expressed as a percentage of nominal national income, where liquidity is the aggregate of short term claims by Dutch residents on the state, the Central Bank and banks.

At the end of 1979 the liquidity ratio was 36.6 per cent of net national income and the Central Bank has this year committed itself to mild monetary "tightness." by aiming to reduce this ratio by four per cent in the *medium* term. A fall of about one per cent has already been achieved.

The second interesting aspect of the NB's approach to monetary control is the emphasis which it now lays upon credit ceilings as a supplement to the traditional measures of Central Bank intervention and monetary influence.

Credit ceilings were eintroduced in Holland in 1977 and have been sustained since. Indeed, the president of the NB, Dr. Zijlstra, has become something of an apostle of credit ceilings and drew discreet satisfaction from the fact that the U.S. authorities resorted to credit controls in their 1980 monetary package. He stresses in the NB's 1979 annual report that monetary policy requires more than regulation via interest rates.

The NB has laid down a credit expansion in 1980 of 8 per cent, 1 per cent lower than in 1979. Individual institutions are limited to expansion of 7 per cent (except that portion of credits financed with funds of more than two years' maturity which are deemed not to expand credit). The headroom is used for the benefit of the smaller and foreign banks to give them a little more freedom to grow.

Relaxed

It is logical that a country with open borders must bolster a policy of credit rationing with one of exchange controls. Dutch exchange controls prevent non-banks from getting round credit restraint by borrowing substantially abroad. Recently these rules have been relaxed because Holland is now trying to promote a decrease of capital inflow rather than deter it as in the early 1970s. *The main changes* have been to allow long term funding abroad by Dutch non-banks, and to allow banks (whose domestic lending is controlled anyway by credit restraint) to fund themselves at home or abroad as they choose. Previously, "out-to-out" business was quite rigorously separated from domestic banking business.

Finally there is the matter of structural control. The most important rule here is that no banking institution may acquire more than a 5 per cent equity holding in another business without the consent of the NB and the Finance Ministry.

Over the question of Dutch banks buying other banks, the NB can use this consent to control the build-up of concentrations of banking power—though it is fair to note that the concentration of the Dutch banking business has proceeded apace over the past 15 years.

Discussion for the moment centres on the question—also discussed elsewhere in this survey—of whether Holland's universal banks should be able to provide equity finance to their corporate customers. The NB, already worried about the solvency position of Dutch banks, is disinclined to take a liberal view here. It points out that the trend in West Germany is in precisely the opposite direction—to get banks to reduce their shareholdings in an effort to reduce concentration of economic power, and for prudential reasons.

The NB stresses that temporary equity participations are in order and it encourages banks *to form and take shares in* "participation companies" — something like the ICFC in the UK—together with the Dutch investing institutions, in order to provide a longer-term equity commitment. The NB is disappointed so far at the expansion of this road to equity finance and there are those within the Dutch Central Bank who believe that the Dutch Government should follow France and Germany in providing incentives for share-buying by the public and by the investing institutions.

Nicholas Colchester

Foreign banks

CONTINUED FROM PREVIOUS PAGE

offices' dependence to a large degree on money market funds. The Nederlandsche Bank accepts, on certain conditions, written stand-by facilities from home offices or parent companies as liquid assets.

The managers of a number of foreign-owned banks are unanimous in describing the Netherlands as a very tough market. "Penetrating the domestic credit market is very difficult, particularly when you don't have captive clients," said Mr. Rudi Kerkhoven, local manager of the Hongkong and Shanghai Banking Corporation.

The position of the big four Dutch banks — Amsterdam-Rotterdam Bank, Algemene Bank Nederland, Centrale Rabobank and Nederlandsche Middenstandsbank—is very strong. Tariff levels applied by the large banks are meant to be minimum levels but they have become the market level. "Economies of scale make that free structure attractive to a large Dutch bank but not to the foreign banks," one foreign banker commented.

"Holland is a small country with a relatively small market, well-banked by experienced and highly qualified local banks," said Mr. Dan T. Atkins, the local manager for Bank of America.

The foreign banks' problems have been compounded by the Central Bank's credit curbs as costs continue to rise inexorably.

The extra 1 per cent allowed to the smaller banks gives the Central Bank some flexibility in applying the curbs but not all the foreign bankers are pleased with the way it has been distributed. One said: "We have been treated generously but I know most of my colleagues don't agree." And another: "Eight per cent of a big number is a big number. 8 per cent of a small number is small. The big banks are going to get bigger while the smaller ones are just getting squeezed."

While most foreign bankers say they are making profits, returns on both assets and equity are unsatisfactory. "We are marginally profitable," said one. "As long as we don't lose substantially we will stay." Another commented: "We are committed to stay but it is very difficult to get a satisfactory return."

Flexibility

Foreign bankers feel very strongly that they are not adequately represented in dealing with the Central Bank. They have no formal representation on the Dutch Bankers' Association, which means their views do not get through. The Central Bank is sympathetic to their case but expects the foreign banks to work through The Bankers' Association.

Tough competition, high wage and operational costs, the credit curbs and the sluggish economy, affecting margins and profits, have taken their toll of the foreign banking community in the past year or so. Five banks have cut back their operations and two have shut down their local office altogether.

Bank of Montreal and First National Bank of Chicago have shut their local branch and representative office respectively. Continental Illinois and Citibank reduced the number or scope of their offices. Lloyds Bank has shut down its securities operations.

While Bank of Montreal got into a fight with the unions over the lay-offs involved, Mr. David Harrison, manager of Lloyds, reported oog co-operation in the redundancy negotiations. All of the Lloyds' staff affected have found other jobs and the "worst guess" made about the cost of the operation did not materialise.

Some of the other foreign banks are looking hard at their operations too. Bank of America has begun a study of how to reduce the cost of its two full service branches in Amsterdam and Rotterdam. Other banks, while not planning to cut back, are resigning themselves to marking time. The golden age for foreign banks in the Netherlands is over, for the time being.

Charles Batchelor

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Details of these financings are set out below

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Unilever N.V. US$ 100 million 9¼% Bonds, July.
Ennia N.V. Dfls 100 million 9¼% Bearer Bonds, July.
N.V. Philips' Gloeilampenfabrieken Nfls 75 million 8¼% Bearer Notes, October.
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Contact our Head Offices at 595 Herengracht, Amsterdam, Telex 11006; or at 119 Coolsingel, Rotterdam, Telex 22211; or our London branch, 29-30 King Street, London EC2V 8EQ, Telex 889139.

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Companies' cash problems mount

IN THE Netherlands, as elsewhere, raising capital has become a major headache for many companies. If the business climate improves, the problem may become even more pressing as funding needs increase to meet expanding investment programmes.

Companies have become trapped in a descending spiral, as profitability has been eroded, financial strength has been sapped. Shares have performed badly on the stock exchange, pushing prices way below intrinsic share values.

With share issues unattractive to all but a select few companies, the majority have turned to more expensive forms of borrowing, thus accumulating interest charges which bring further pressure on their profits.

Industry's financial problems have been compounded by high rates of interest on the capital markets. These are the result of high levels of government borrowing and the need to maintain the position of the guilder within the European Monetary System by means of interest rate policies. Tax laws which give more generous treatment to companies which borrow than those which raise new equity have also helped distort the picture.

Shareholders' equity accounted for 35 per cent of the capital of publicly-quoted Dutch companies in 1970. By 1978, it had fallen to 24 per cent, with long-term borrowed funds accounting for 21 per cent and short-term borrowings for 55 per cent.

The position of Dutch multinational companies such as Philips, Unilever, AKZO, and Royal Dutch Shell also weakened, though they were better placed than most. Their shareholders' equity fell from 46 per cent of assets to 35 per cent over the eight-year period.

The decline of the equity base of most companies makes borrowing from other sources more difficult and expensive. While many bankers and businessmen feel that the critical point has been reached, others are less gloomy. They point to Japan, where companies have only a small proportion of their assets in the form of equity. "Much depends on the banking system in which companies operate," said one banking economist. *"The decline of equity-to-borrowing ratios is not so serious."*

Dutch banks are not allowed to take large industrial holdings, as do their counterparts in West Germany. Dutch institutions are allowed permanent shares of only 5 per cent in non-banks, though the Central Bank plans to hold talks with the commercial banks later this month which may lead to an easing of this requirement.

Cosmetic

Many bankers view increased direct involvement in the risks of industry with concern. "Banks can hardly fund an increase in a company's share capital and then, on the basis of that, lend more money," one banker said. "Increasing the stake that banks can take in a company is a cosmetic operation. In the end it is all the bank's money. You are only fooling yourself."

Banks also fear criticism that they are building up too much if they take shares in industry. Many feel they have already been forced into over-extending themselves in industrial lending. "The private investor, and then the institutions, did not want to invest in industry," said one. "We have been forced into funding industry. This has increased our balance sheets, but our risks have risen too."

There is a consensus among bankers and businessmen that only government action can redress the damage. "Companies can only be encouraged back to the capital markets by considered and sustained government policies aimed at improving company profits," a banker said. "In the past, when it came to distributing national wealth, governments favoured the consumer and the public sector."

One government initiative which has provided extra funds to industry in recent years has been the subordinated loan.

The National Investment Bank, which administers this facility, had Fl 457m (£100.72m) on loan to 74 companies at the end of 1979. These loans may only be made to sound, well-managed companies offering prospects of continuing returns on investment.

A major point in their favour is that they count towards a company's equity capital since they are covered by a government guarantee. On the other hand, they are merely a substitute for the real thing — equity capital raised on a healthy stock market.

The sharp end of industry's risk capital needs are met by the Netherlands Participation Company (NPM). The NPM was set up immediately after the Second World War and is owned by a large number of banks, insurance companies and pension funds. It has provided Fl 266m to 233 companies, and last year invested Fl 24m in *five new ventures.*

The Central Bank recently called for the banks to establish more companies providing risk capital as a safer alternative to direct holdings in companies. Some bankers believe greater competition among banks would increase the flow of such funds to industry.

"If all the banks are shareholders in one company, the element of competition and *agressiveness is missing,"* said one. "We need several companies, each with only one or perhaps a few banks as well as institutional investors. The Government should not be involved to a great extent, though it might agree to meet a share of any losses."

While the smaller companies are affected most accutely by capital shortage, the big concerns are *not without* their problems.

Two large companies, AKZO and Philips, illustrate the difficulties. AKZO, the chemicals group, is now recovering from the plunge into losses caused by its fibres division. Accumulated net losses of Fl 759m in the 1975-77 period and the four-year suspension of its dividend clearly affected the way investors viewed the company.

"Until we have trimmed our fibre activities to the optimum size our results will remain somewhat volatile," said Dr. Henk Kruisinga, the AKZO managing board member, responsible for financial affairs.

"We were seen as a company with stable profit growth. We are now in another division as far as raising capital is concerned. We appeal to a different investing public and to a smaller circle of investors. This is reflected in the price of our shares."

But even when AKZO was at its lowest point it retained the confidence of its creditors. "The point was never reached where they stopped being willing to lend," said Dr. Kruisinga. "The problem is to stop people from lending to you."

The stock market is as closed to AKZO for new share issues as for most other companies. AKZO puts the intrinsic value of Fl 20 nominal shares at Fl 75. They are trading at around a third of that level. Meanwhile, pressure on profits and the company's losses reduced the level of retained earnings.

Shortened

This has increased the company's recourse to the capital market, though conditions here have worsened. Whereas industrial bond issues were commonly made with 15-year maturities in the 1950s, by the start of the 1980s they had fallen to seven years. The refinancing cycle is shortened, and now loans are required, usually at higher rates of interest.

Dr. Kruisinga has four major financial goals.

● New borrowing must not exceed repayments on old loans so that there is no increase in total debt. Exceptions to this rule are specific projects which form part of the core business of the company and for which special financing such as subordinated loans, or subsidies. are available.

● AKZO aims to borrow at the longest possible maturities.

● The company's goal is to maintain a strategic reserve of funds to finance new projects or meet sudden increases in working capital need. It currently has reserves of about *Fl 1bn.*

● It intends to maintain good access to the international capital market. The limited size of the Dutch market, and high rates of interest, mean much borrowing is done abroad. Group companies abroad borrow locally as much as possible to reduce foreign exchange risks.

AKZO's financial ratios have come under pressure. The company sees the most important *ratio as profits to interest debt.* Profit is now two to 2½ times interest compared to five-to-one in more favourable times.

Philips, the electrical group, claims a high degree of success in maintaining sound capital ratios. Shareholders' equity has been a steady 35 to 40 per cent of total capital over the past decade, said Mr. Jan Zantman, the company's new financial chief.

The stock exchange has been just as effectively closed to Philips for new share issues, though, and no substantial share placement has been made for nearly 20 years.

Philips makes the optimum use of its role as collector of taxes and social security premiums." As payments to government and semi-government agencies have gone up, the pipeline has grown longer," Mr. Zantman said.

"In the past, suppliers were our main creditors. Now you also have the Government, which uses the company to collect all sorts of taxes."

Retained profits play a major part in the company's funding, as do reserves built up according to the current cost accounting methods it applies. Retained *profits account for Fl 6.1bn of* Philips's Fl 11.6bn worth of shareholders' equity. The "revaluation surplus" produced by valuing its assets at replacement cost totals Fl 3.5bn, while ordinary share capital is only Fl 1.7bn.

Some analysts take a company's liquidity as a measure of its financial strength, but Philips aims to keep liquid assets to a minimum.

"High liquidity is not a sign of success, Mr. Zantman said, "We arein business to put money into fixed assets and not build up large sums of cash." Cash amounted to only 3 per cent of assets at the end of 1979.

One problem facing a company of Philips's size is the cusshioning of operational managers from the financial *realities. Non - financial* managers were deliberately screened off from the financial aspect of the business.

"In the past, this did not matter because there was money for every project. In the present condition of the private sector there are no longer the funds for every good project.

Charles Batchelor

Dr Henk Kruisinga of AKZO: "Until we have trimmed our fibre activities to the optimum size our results will remain somewhat volatile"

WHERE THE DUTCH INSTITUTIONS PUT THEIR INVESTMENT CASH
(Figures shown as percentage of balance sheet total)

	Dutch securities bonds	Dutch securities shares	Foreign securities bonds	Foreign securities shares	Private placements	Mortgage loans	Property	Balance sheet total Fl
Savings banks	16.7	—	—	—	30.0	36.5	—	42bn
Life companies	—	5.0	—	—	41.0	27.0	14.0	52bn
Pension funds	8.3	3.0	1.4	2.2	61.0	5.8	13.0	69bn
State fund	—	—	—	—	92.0	—	5.0	64bn

Source: Dutch Central Bank.

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Institutions are the main source of funds

INSTITUTIONAL INVESTORS are far and away the major suppliers of funds to the Dutch capital market. Central bank reports show that just under half of the market's net supply of capital came from the institutions in 1979 and that this level of input, at Fl 21.7bn ($2bn) was much the same in the two previous years.

The savings banks, insurance companies and the pension funds dominate this section of the Dutch financial community with the pension funds overshadowing everyone. Holland is out-of-the-ordinary in that pensions for civil servants are funded and not paid out of current revenue as in most other countries.

The state pension fund is almost as large as all the other pension funds put together. Its assets are roughly four times as big as those managed by the second biggest fund which belongs to the Nationale Nederlanden insurance group. In its turn, the NatNed fund is around twice the size of Philips and Amev, the two funds next in the general pecking order.

Respective investment styles are remarkably dissimilar, and they compare strikingly also with their counterparts in other parts of the world. notably in the UK and the U.S. The main difference on a global comparison spring from the reticence of *Dutch funds institutions to get* involved in equities. Among them there are distinctly contrasting approaches to investment, *both* in form and content.

For obvious reasons the investment policies of the savings banks and the insurance groups are largely dictated by a need to balance the books. Performance is important, but the matching of liabilities with assets tends to overshadow investment approaches. In contrast, pension funds have much more freedom and their greater flexibility is reflected in the wider and more generous spread of investment outlets used. Alone among Dutch institutions the pension funds make significant use of foreign securities.

To some, extent investment *policies are forced upon the* institutional fund manager. There are a number of fiscal guidelines—the state pension fund, for example, is not allowed to invest outside Holland — and the industry watchdog, the Dutch Insurance Chamber, keeps a careful eye on proceedings. The demise of the equity market in Amsterdam has had clear policy implications. A decade ago the Dutch institutions kept something like a quarter of the portfolios reserved for Ordinary shares, most of which were domestic securities.

But perhaps the most powerful influence on investment policy in recent years has been the growth of Holland's private placement market which at times has threatened to become explosive. All institutions invest heavily in this form whereas a decade ago the unlisted bond market was still a relatively modest affair.

As the table shows, institutions invest heavily in unlisted bonds. *This* type of investment is the primary outlet for the pension funds and the insurance industry, and in the case of the state pension funds it represents very nearly the only outlet. The state pension fund tends to favour state issues whereas the bulk of private sector financing is left to the private pension funds and the insurance groups.

Choosing to ignore equities and listed bonds, the state pension fund does at least place some business with the property world. But it dabbles modestly in comparison with the private sector where the property commitment of both the insurance companies and pension funds extends over an eighth of their balance sheet totals.

Long-term debt

The biggest single investment area among the savings banks is mortgage loans. But these institutions also play a sizeable role in the public bond market and just under half of their investment in this quarter goes into private sector bonds. The state pension fund and the insurance industry steer clear of public long-term debt but the private pension funds play a supporting role with private sector debt marginally outweighing government borrowing.

The private pension funds are the only form of Dutch institution to place investment cash abroad. The *bulk of this* foreign investement is in equities, and in fact the pension funds pay almost as much attention to non-Dutch shares as they do to the local variety. But even combined, foreign and domestic equity investment still adds up to a very modest proportion of overall portfolios, although some pension funds claim a far higher involvement with ordinary shares than that suggested by our table.

One of the more obvious overall conclusions to be drawn from the central bank statistics on the concentration of institutional funds is that the pension funds are by far the most adventurous of the clan. Low risk, fixed interest investment predominates but individual cases can produce some interesting sidelights.

The Akzo pension fund reckons to have a keen eye for property, employing its own team of between 10 and 15 specialists for this purpose. The KLM pension has something like a tenth of its assets in property and a broadly similar percentage tied to equities. The KLM fund currently stands at around Fl 2.2bn. About three-quarters of this is invested in fixed interest of which over 60 points is taken up with the market in private placements.

Jeffrey Brown

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Decline in new issues of equities continues

IN RECENT YEARS the Dutch equity market has played a minor role both as a provider of new capital and as a forum for investors. The bourse authorities are laying a number of ingenious plans aimed at expanding business and widening the capital-raising appeal of the stock market. But these are not going to change the situation overnight. And in the meantime the bourse statistics continue to tell a depressing story.

In 1979 new issues of equity shares via the Amsterdam stock exchange raised Fls 200m (£44.5m) of new nominal capital, excluding rights issues. This was sharply down on 1978 when new shares worth Fls 496m were issued and the decline shows up just as clearly on a longer view. The stock market's capital-raising performance last year amounted to just 60 per cent of the annual average output of the four previous years.

The comparisons with the bond market are more stark. In 1978 new money raised by shares represented 7½ per cent of that provided by the public bond market and last year this percentage was down to a bare 2½ per cent. But the public bond market is itself dwarfed by Amsterdam's huge and growing business in private, unlisted placement. Add in a notional figure for the amount of new money raised in this form and new equity funding just about disappears from the calculations.

Reasons

There are a number of reasons for this state of affairs, not the least of which is that the decline has tended to become self-feeding. The equity market has shrunk physically with the number of shares listed falling from about 400 to under 250 over the past decade and marketability has been sharply reduced. The big three Dutch internationals, Royal Dutch Shell, Unilever and Philips, account for 80 per cent of the total market capitalisation. As the importance of equities as an integral part of the capital market has diminished so investors have turned *to other outlets to place their money*.

The main investing institutions in Holland put more of their assets into property than they do into equities. Figures for last year show that the savings banks and the state pension fund—which is almost as large as all the other pension funds put together—have virtually no involvement in shares, while the *life companies and the private* pension funds have 5 per cent or less of their assets in equities. In contrast, the two latter institutions have more than an eighth of their assets tied up in property.

The Dutch financial sector, the banks and the insurance companies, have been relatively active in raising new share capital. But fiscal constraints relating to their asset bases have created much of this trend. Industry at large has been content to rely on bank borrowing and internally-generated funds.

Once again fiscal reasons have been a prominent influence. *Companies in Holland are* allowed to pay out a substantial part of dividends in share form rather than cash. Dutch investors tend to opt almost exclusively for stock dividends which offer tax advantages to the Dutch resident. All this has helped to ease the financing pressures on Dutch industry.

For the men who run the bourse though it has also meant *less prosperous times*. Their business in bonds has been expanding and stock exchange members show no signs of being reduced to their uppers. But share market business plainly could be a lot brisker: the banks make no bones about the fact that they lose money on the equity side of their research establishments.

The market capitalisations of the main financial sectors of the market may have doubled in the past half-dozen years but the stock exchange authorities plainly face a number of long-term problems over equity shrinkage. Their plans aimed *at countering the decline have* begun to take on a number of formidable and imaginative shapes. New trading hours and regulations have been in operation from April this year. There are plans to make new share issues easier and cheaper to achieve; and a system of dealing more directly in U.S. shares could well be in operation by the middle of next year.

Initial cost

Official trading hours have been extended while the main focus of the new trading regulations centres on an attempt to win back business from the banks as well as improve marketability. Since April at least 25 per cent of the price at which a transaction has been undertaken has had to be levied through the stock market dealing system.

The bourse authorities are considering a move to a dual market in shares whereby smaller companies could be *listed. The present minimum* capital requirement at issue of Fls 2.5m would be reduced to Fls 1m and the initial cost of a flotation would also be lowered. Initial flotation costs mostly centre on the printing and distribution of a prospectus: for smaller companies the stock exchange would allow a prospectus advertisement to be placed with the bourse official daily list.

The plans to enhance market activity by linking directly with Wall Street are more complex, and can perhaps be seen as an adjunct to the stock market internationalism that Amsterdam has tried to create through the formation of the European Options Exchange. At present Dutch investment in the U.S. is constrained by the heavy cost of the paperwork involved, notably through the issue of bearer certificates. This process is to be circumnavigated. Much groundwork has yet to be done, and the SEC has yet to stamp its approval. But the bourse *authorities are very enthusiastic*.

The negative performance of equities in Holland this year provides a suitable spur to these grand designs. The domestic indices suggest that the market has more or less marked time since January having traded within a narrow range. According to the indices compiled by Capital International the Dutch market *(with a decline of 2 per cent* over the first five months of 1980) has performed slightly less worse than the German market but has lagged noticeably behind other major European centres like France and the UK.

By international standards the Dutch economy looks remarkably resilient. There are no real signs of recession and inflation is being kept within manageable bounds. During the first quarter of 1980 industrial production rose by 3.5 per cent against the final three months of 1979 and was a full 8 per cent up on the first quarter of *last year which was severely* hampered by a bad winter. Corporate profits probably rose by around 10 per cent last year, excluding Royal Dutch whose earnings rose much more sharply and which tend to exaggerate the overall trend.

The outlook for earnings and therefore dividends in 1980 is less encouraging. The Government wages freeze will help *keep labour costs in check* but Dutch industry is heavily dependent on a strong world economy. Many companies reporting on the opening quarter of 1980 have suggested that the outlook for the second half of this year is not optimistic.

Jeffrey Brown

Demand in bond market never stronger

IN STRIKING contrast to their contemporaries on the equity pitches, the men who run the bond markets in Amsterdam have been experiencing boom business conditions. Demand for fixed rate paper has never been stronger. The size of the new issue market in publicly-quoted bonds has considerably more than doubled over the past seven years.

Between 1972 and 1978 the public market in bonds expanded from Fls 3.3bn (£730m) to Fls 6.64bn (£1.4bn) in terms of new money raised. This is an open market system operating under the full control of the central bank. It grew by an additional one-eighth to Fls 7.35bn last year. But even this dramatic expansion has been outpaced by the market in private placements which had risen to around Fls 20bn of net new money in 1979.

In reality then fixed interest business is what the Dutch capital market is all about. Borrowing through the various forms of debt, which includes mortgage bonds and Euro-guilder issues, continues to expand while the main institutions are concentrating their portfolios on fixed return paper to the exclusion almost of all other forms of investment. Two factors stand solidly behind this *pattern of events*: high central government borrowing and the way credit policies are forcing the banks more and more into the capital market for funds.

Demand from the central government has been rising *sharply in recent years*. In 1979 state borrowing represented more than half of the new issue demand on the public bond market and the first quarter of *1980 has seen further inroads*. The Government took up Fls 2.4bn gross in the three months to March this year compared with Fls 4bn for the whole of 1979 and Fls 3.2bn in 1978. At the moment long-term state debt stands at about 21 per cent of net national income and short-term borrowing at something like 6 per cent of NNI.

The increasing use of the capital market by the financial institutions was given a considerable spur in 1977 when the present central bank credit restrictions wer laid down. The banks' private short-term loans not financed by the capital market, savings or other long-term liabilities get snared up in the central banks' policing system. Thus, to allow lending *capacity to increase sufficiently*, the banking system has had to turn *increasingly* to the bond market. It raised Fls 1.9bn in public issues last year, compared to Fls 1.5bn in 1978.

The supply side has been strengthened by a steady flow of funds from the main investing institutions as well as from foreign sources. Foreign investors remain very active buyers of Dutch bonds and the trend has hardened in recent weeks in the wake of the guilder's gains in the foreign exchange markets.

Momentum

The investing institutions in Hollnd have always been bond orientated and it is easy to understand why the trend has *been gathering momentum*. Alternative investment in share markets and property carries far more risk and can be difficult to cash in. In contrast, fixed interest investment offers solid real returns with the Dutch inflation rate hovering around 6 per cent. Whereas insurance companies in the UK and the U.S. often carry heavy exposure to equity markets, *their Dutch counterparts* operate modest share portfolios, and often these include strategic holdings which are not traded.

The hub of the capital market in Amsterdam is the public bond market where maturities are longest and individual issues the largest. The state recently borrowed Fls 1.4bn over 20 years and the current buoyancy of the market has allowed Algemene Bank Nederland to increase its latest funding from Fls 350m to Fls 400m. The central bank maintains a strict calendar system and foreign borrowers are not allowed to use the proceeds of public issues in Holland. Government bond issues are made through a tender system.

The strict regulation of this *market is one reason for the* explosive growth of the private placement which is operated with speed and considerable efficiency among the placing banks. Effective costs to the borrower are broadly in line with the market in quoted bonds.

The importance of this market in unlisted bonds can be judged by the fact that last year — *according to one bank estimate* — it accounted for a *full* one-third of the total net supply and demand of the Dutch capital (Fls 46.3bn). Demand for funds stems from central government and local authorities as well as industry. The private pension funds are particularly active in lending this type of debt to the private sector.

The attractions to the borrower are clear-cut. There is no queue system like that associated with the public-listed bond market. With the borrowing taking the form of a private loan, funds are available virtually on tap. If required, some banks can have a deal sewn up and a borrower provided with his funds in little more than a week from the initial inquiry. However, once again the bulk of the borrowing is achieved by the state and the main financial institutions.

The commercial banks act as intermediaries between the market parties and also provide some limited form of "market" for matched buyers and sellers. The loans carry a coupon cost higher than for public bonds, and in current markets this has widened to perhaps a full per*centage point. But the banks claim* that the overall cost to the borrower is effectively held in check by lower documentation costs and easier servicing. With often only a handful of institutional lenders putting up the funds, half-yearly interest payments are made quickly and cheaply.

Increasing interest in this *type of investment is now* beginning to come from outside Holland. Dutch exchange control policy regarding capital imports through the private placement market has been relaxed in some respects. But the central bank maintains a watchful eye. Prior consent has to be sought for guilder loans being raised partly or wholly from non-residents and involving Fl 16m or more per domestic borrower.

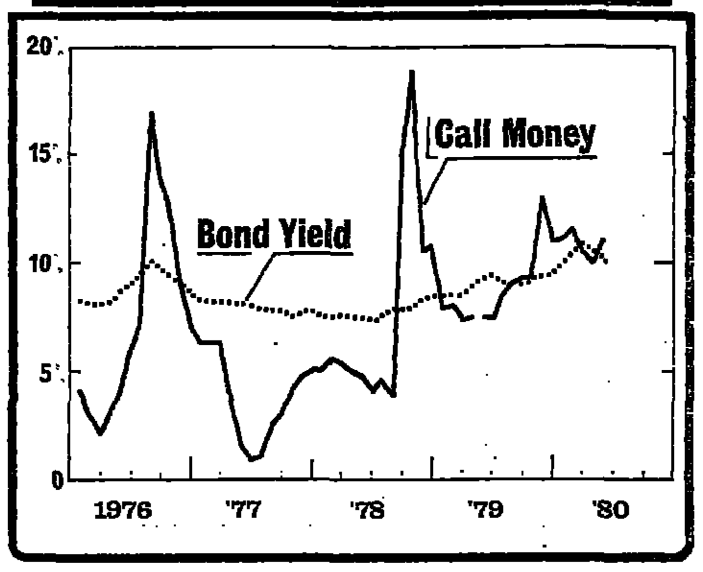
As for yield structures, the market as a whole is subject to a number of diverse influences. Yields in the public bond market have been easing lower in recent weeks and the state which had to pay 11¼ per cent for ten-year funds as recently as March got away comfortably with a 10 per cent coupon in June.

The Government's financing requirements are likely to exert renewed upward pressure on long-term rates in the months ahead but the comfortable position of the guilder within the EMS is allowing short-term rates to trade at levels only modestly above comparable deposit rates in West Germany.

Looking further ahead, the *performance of guilder bonds is* likely to continue to shadow the German market where interest rates are being kept high by tight credit policies. These are unlikely to ease much before the final quarter of this year.

Jeffrey Brown

DUTCH INTEREST RATES



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BUILDING PROJECTS	207	355	506
BORROWED FUNDS	8.110	10.642	12.964
BASE CAPITAL	326	418	479
OPERATING PROFIT	114,2	124,8	109,7
NET PROFIT	46,4	61,9	55,7
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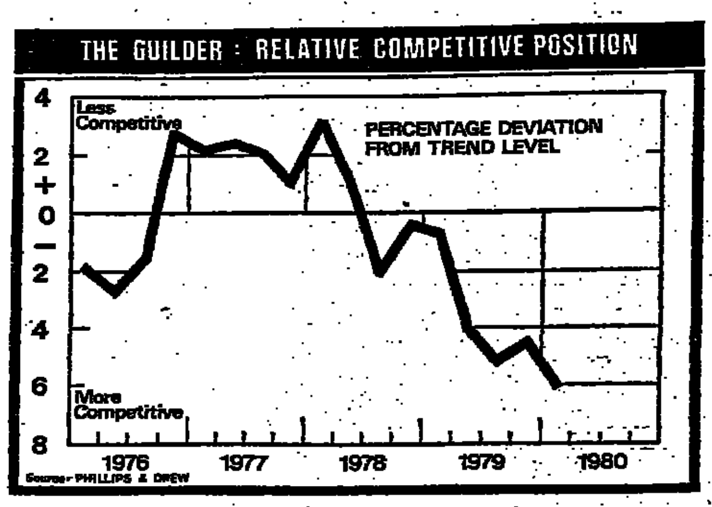
The guilder rides high despite mounting pressures



THE DUTCH guilder has been one of Europe's strong currencies during the past decade.

It has benefited from a long period of current account surplus resulting from Holland's natural gas wealth, and this advantage has been reinforced by the tight monetary control needed to hold ranks with the D-Mark in, first, the currency snake and then the European Monetary System.

Today, the guilder remains one of the strongest currencies in the EMS. But, in common with sterling, the guilder's strength now contradicts both Holland's balance of payment situation and the international competitiveness of Dutch industry.

The Central Bank remains devoted to the cause of a firm guilder holding its own against the D-Mark, while Dutch industry has mixed feelings about this anti-inflationary discipline.

The Dutch balance of payments on current account first lurched into deficit in 1978 after seven years of surplus. The deficit was increased by Fl 1.8bn to Fl 4.1bn in 1979 largely because of dearer oil.

Matching increase

The Netherlands suffered from the natural lag between the rise in the price of its imported oil and a matching increase in the price of Dutch gas. It is the expectation of a "catch-up" between oil and gas prices that is one of the reasons why the Dutch current account is expected to narrow in 1980 to around Fl 1bn.

This improvement in the balance of payments is expected not only because gas prices are set to rise this year, but also because Dutch export performance is expected to improve while imports should moderate as slower economic growth feeds through.

The central planning office of the Dutch Government predicts exports will show a rise of 1 per cent in volume but imports should fall 2.5 per cent after a 6.5 per cent increase last year.

So far, the figures do not suggest that these hopes are justified. The trade deficit for the first three months of 1980 was double its level in the equivalent period of the previous year. Exports, in guilder terms, were up by 28 per cent, but imports rose by 29 per cent, and it was the particularly bad figures for March which were chiefly responsible.

This deterioration in trading performance has occurred in spite of a fall, since May last year, of the real effective exchange rate of the guilder.

This means that although the Dutch guilder has been strong, other currencies, like sterling and the U.S. dollar, have been stronger still considering their much higher rate of inflation. Put another way, the strength of the guilder has not been an adequate reflection of Holland's relative lack of inflation.

The most popular explanation of Dutch industry's failure to benefit from this improvement in its international competitiveness is that this improvement has not yet provided sufficient correction to the legacy of gas wealth in the early 1970s—the oft-cited "Dutch disease" which the UK is now suffering from.

These problems have prompted the Dutch Central Bank and Government to be more resolute in controlling inflation and accepting the drop in real incomes which a 45 per cent increase in oil prices must imply. The Central Bank is intent on avoiding an inflationary weakening of the Dutch exchange rate and has tailored its interest rate policy accordingly.

Dutch interest rates of 10 to 11 per cent now provide a substantial real return on money which is losing value at a rate of 6 to 7 per cent a year.

Meanwhile, having failed to reach a voluntary agreement on wage restraint with the trade unions, the Dutch Government has opted for compulsory control of wages. The aim is to hold the rate of increase in average earnings down to between 6 and 6½ per cent this year. This policy has the backing of the Central Bank, which is itself intent on pursuing a moderately restrictive monetary course in 1980.

Low inflation

In 1979, the year-on-year rate of consumer price inflation in the Netherlands was 4.2 per cent, the lowest within the EMS with the exception of West Germany. This year, the rate of increase is already running at a 12-month rate of 6.5 per cent, but the hope is that this will moderate to about 6 per cent at the year's end. This will still be one of the lowest rates of inflation in Europe.

The Central Bank warned recently that the "sands are running out" for the Netherlands, but although there have been signs in the last three years of a deterioration of Holland's international financial position, it seems fair to comment that the Guilder is still strongly supported by most of the fundamentals.

Unlike Belgium, Sweden, Austria or Denmark, the Netherlands Government has not yet been forced to incur any foreign debt and, to this extent, the country is not yet conspicuously "living beyond its means."

The Dutch banking business is a substantial net creditor to the international banking system, in contrast to West Germany's—and, indeed, to all the other banking systems in the EMS except that of France.

Add to this relatively unstretched financial position the low inflation rate, the insistence of the Government and Central Bank—so far at least—on anti-inflation policies, and the emotional appeal which the guilder has as an "energy rich" (if not a petro-) currency and one is left with a feeling that the guilder can ride out modestly unfavourable current account figures for some time yet.

Nicholas Colchester

Options: bright hopes give way to caution

"LETS' FACE IT, Europe hasn't turned out to be so united after all since our establishment." The spokesman of the European Options Exchange (EOE) appears convinced that his organisation, which has been in business now for just over two years, has not received the treatment it deserves from foreign financial or stockmarket authorities. "Unfriendly" moves outside the Netherlands, notably in Britain and France, and to a lesser extent in West Germany, get much of the blame for the disappointing development of business so far.

It is by no means all gloom on the options front in Amsterdam, however. But the outright optimism which characterised the project's initiators from the start has gradually disappeared, making way for more guarded pronouncements of confidence in the future. As merchant bankers Pierson, Heldring and Pierson, an active party on the market, put it a year ago, for example: "There seems to be no real reason why options should not be a success in Europe like in the United States."

Success, according to management at the EOE headquarters in Amsterdam, has merely been delayed. "At the start of the venture, we were too optimistic as regards the date on which the break-even point could be reached," the EOE spokesman admitted. Importantly, the EOE's initiators and financiers, the Amsterdam Stock Exchange (ASE), has not given up hope either. Given the far-from-bright development on the Dutch stock exchange, it also badly needs the EOE to become a success: the interdependence of the two Amsterdam organisations is clearly growing.

Settlement of the EOE's sizeable financing and formation expenses has been agreed, and the AEA has also decided to make available a contribution to cover the operational loss in the current year. Financially trying the road to success has certainly been: according to the profit and loss account in the EOE's recently-published annual report, 1979 has been concluded with a loss of Fl 4m, which compares with a loss of Fl 3.6m in the period November 30, 1977 to December 31, 1978.

The plea for fresh support to the ASE—"give us the means and the time"—made by Mr. Ewold Brouwer, chairman of the EOE supervisory council at the organisation's annual meeting in May last year, has been responded to. Now, the promise "And we will make the EOE a success" remains to be fulfilled.

Too optimistic

daily turnover is already 2.946 contracts. In fact, if no unforeseen developments occur in the world's political and financial-economic situation, the EOE expects to reach its break-even point — about 5,000 option contracts a day — by the end of 1981.

It is recognised by the management, however, that much will have to be done before then. There is concern, for example, that stock options from just one country — the Netherlands — still account for the greater share of the EOE's turnover. And one stock, Royal Dutch Shell, dominates the option business. Trading in UK and French options, it is admitted, is bound to remain negligible for the time being, while turnover in Belgian options is confined to just one stock, Petrofina, a limitation for which the EOE has received some criticism from Belgian circles.

As for the fact that interest in London in its own options market is now building up, the EOE spokesman says: "We welcome increased interest in options anywhere, for eventually we will benefit from it as the markets from this type of dealings expands. And a not too bright climate on the ordinary stock exchange, developments in the past have proven, clearly add to the interest in alternative investments possibilities, such as share options."

To give the Dutch options exchange a wider appeal and to make operations run more

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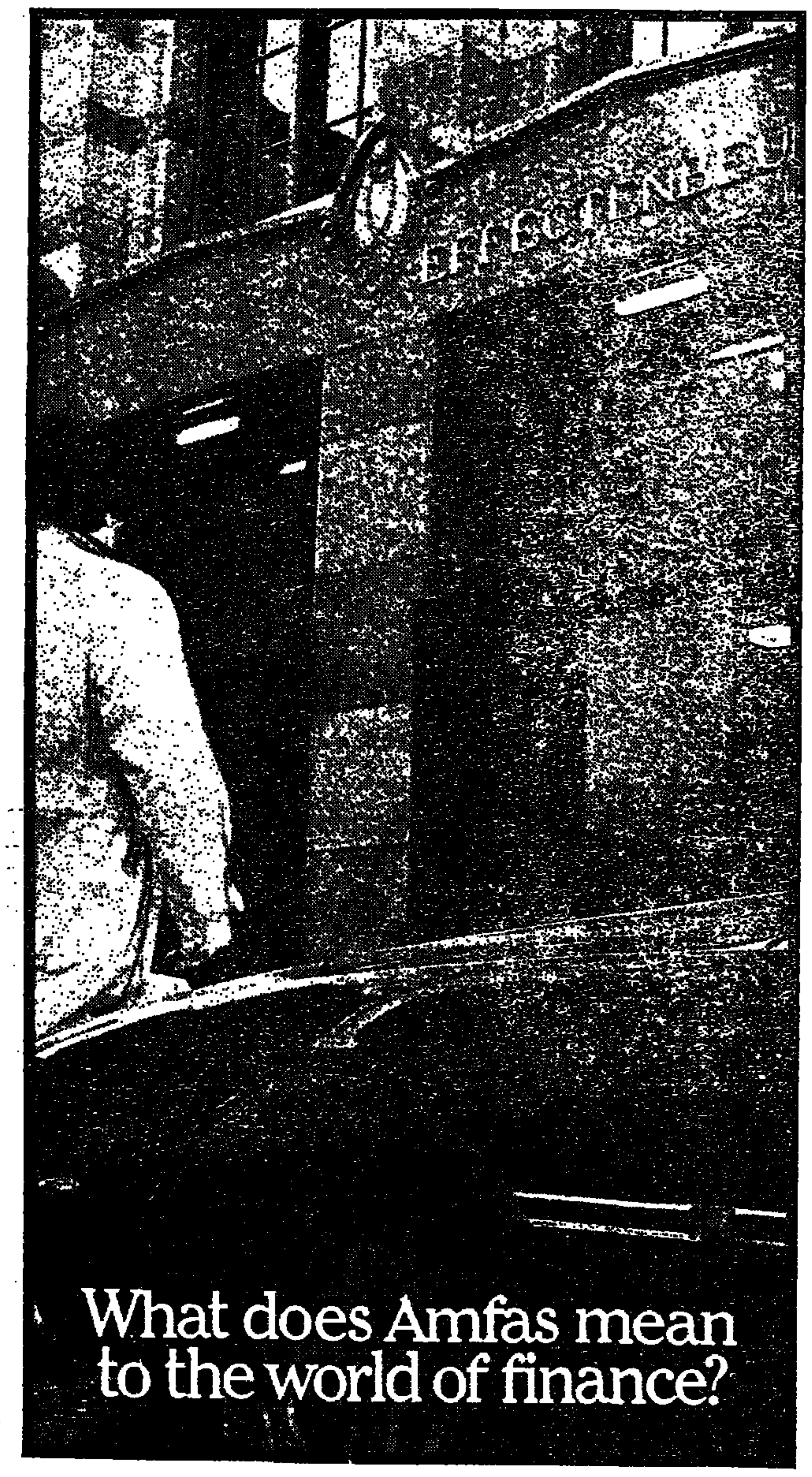

The fluctuations of national and international economies remain hard to predict. The law of supply and demand still rules.

In this situation a financial services company like Amfas can, of course, play only a modest part.

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Insurance companies find new hunting grounds abroad

NOW THAT foreign expansion by the Dutch insurers appears to be accelerating, some people may well be wondering whether the companies have lost interest in the domestic market altogether. At any rate, Nationale-Nederlanden, country's largest insurance concern, appears almost embarrassed by it all.

Says the management board in the 1979 annual report of its own activities: "That impression is incorrect. The Netherlands is our home port where we have a strong position, and we intend to *go all out* to maintain it and to reinforce and expand it wherever possible."

The latter statement may be true of all large Dutch insurers, but it is certainly so that hardly a month has gone by in the past year without some foreign acquisition having been announced by a company. Companies taken over are mostly active in the life assurance sector. The U.S.—bulwark of capitalism as Nationale describes it inter alia in its annual report—remains by far the favourite hunting ground for the Dutch companies.

Large quoted companies such as Nationale-Nederlanden, Amev and Ennia are still on the takeover trial and intend to remain so in the foreseeable future. Says The Hague-based Ennia in its 1979 annual report: "In working out our policies for the coming years we have in no way modified our belief that Ennia must aim at activities outside the Dutch insurance market."

Expansion

Judging from the recent foreign expansion activity it appears that the insurance companies, though favouring the U.S., are not ignoring the European market any longer. To indicate the level of activity in the past 12 months: Amev has acquired Gresham Life Assurance Society in Bournemouth, United Dominions Trust (Australia), set up a business finance company, Amev Capital Corporation, in New York and put ni a bid for Interfinancial Corporation in Atlanta, Georgia.

Nationale finalised its takeover of Yorkshire-General Life Assurance in Australia and acquired the Greek company Proodos Hellenic Insurance and Reinsurance Company. The size of its U.S. interests—four companies involved in life business and two in accident insurance—was given in Nationale's annual report: the companies' combined premium income in 1979, at Fl809m ($77.8m), amounted to 15.5 per cent of the group's total premium income that year.

Ennia also underlined its continuing interest in further expanding in Europe through the acquisition of the Spanish company La Galicia, which concentrates on accident insurance. An Ennia spokesman said the company was "looking around in the U.S." Ago, the mutual insurance company, also announced its first U.S. acquisition recently.

Much of the surge in foreign expansion activity is attributable to the companies' wish to spread risk and to the fact that the saturation point is nearing in the domestic insurance market, given the geographic limitations of the country. Though refraining from expressing outright pessimism about the general outlook for domestic developments, Ennia says in its report: "Although the continued improvement in general insurance business is gratifying, the results have not yet satisfied even the most modest profitability requirements. This is related to the high level of competition caused by a surplus of insurance services being available on the Dutch market."

But there are factors which the companies are more hesitant to talk about. They concern the uncertainties in the economic as well as in the political situation. As to the former factor, the outlook looks far from bright, with inflation and unemployment on the increase and the certainty of a decline in purchasing power by the Dutch as a result of (enforced) wage moderation.

Then there is the growing political uncertainty of what will happen after the next general elections when the four-year term of the current Centre-Right coalition has expired. The possibility of another socialist-dominated coalition similar to the previous Cabinet led by Premier Joop den Uyl, should not be ruled out.

In the past, den Uyl's Labour Party has often discussed the advantages and disadvantages of nationalising the insurance and banking sectors, but there does not seem to be much support for either drastic move. On the other hand, the party does have certain plans for the banking and insurance business which it will try to effect once it returns to power and these will be far from popular in the respective industries.

In its draft election manifesto "Weerwerk" (Counter action) published in early June, the Labour Party, the country's largest party, called for the establishment of a state insurance company. It had been urging the establishment of a state bank for several years already, and continues to do so.

Though the proposals still have to be approved by the party rank-and-file, practice has been that most proposals are adopted without major changes. A Labour Party spokesman in The Hague said the background to the need for the two state institutions was the same: it was felt that there was need for more competition, which he said would result in lower charges and better services.

Labour's draft manifesto also included plans to introduce rules and regulations governing the investment policies of Dutch pension funds and other institutional investors. In March, Mr. den Uyl said in a television programme it was "scandalous" that these institutions could invest abroad unhindered, premiums paid by Dutch wage earners and profits earned in the Netherlands when there was more need for investments in the Netherlands.

"In the past there was much to say for the funds' capital exports, and we have not done anything about it. But the situation has changed, and now it is necessary to introduce controls," he said. He particularly referred to measures that would force investors to pump more money into what his party calls "socially responsible" areas in the Netherlands, such as low-cost housing. Meanwhile, these demands have also been incorporated in the party's draft election manifesto.

Asked for a reaction to the Labour Party plans for a state insurance company, a spokesman for the Association of Insurers in the Netherlands (VVIN) declined to comment. "It still concerns a proposal and we shall refrain from giving any reaction until it has been approved at the Labour Party conference," he said.

A board member of one of the larger Dutch insurance groups said that such a state insurance company was "superfluous," pointing at the high level of competition that characterised the Dutch domestic business to which the many foreign companies active in the Netherlands had contributed significantly.

In fact, bankers' circles have used exactly the same argument against the establishment of a state banking operation in the Netherlands. "Private industry has grasped all possible chances, and its is doing its job well, making state intervention unnecessary and even damaging for the sector as a whole," is the identical message from bankers and insurers. In its 1979 annual report, the VVIN protested strongly against the Government's "damaging plans" to allow the Rijkspostspaarbank (state savings bank) to enter into insurance activity.

Less affected

Meanwhile, the insurance sector has fared well in the past year. It was again evident that this sector is less directly and less strongly affected by downturns in the economy than other sectors.

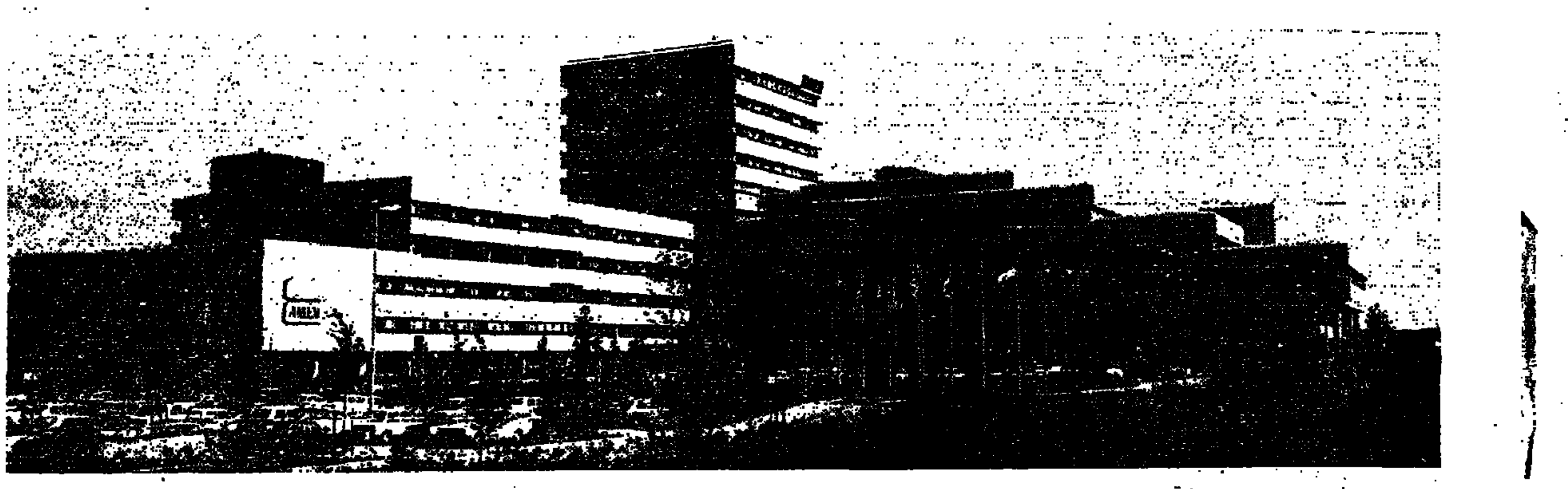
To give an indication of the development of results in the past year: Nationales net profit has risen to Fl 302m from Fl 248m in 1978 on a total turnover—premiums life, general insurance and non-insurance—which was up to Fl 6.9bn from Fl 5.9bn; Amev's profits were up to Fl 115.1m (Fl 95.4m) on a turnover of Fl 2.4bn (Fl 2.1bn; Ennia's profits were up to Fl 79.3m (Fl 55.3m) on increased receipts of Fl 2.2bn (nearly Fl 2bn); and Amfas' profits were up to Fl 39.5m (Fl 35.3m) on increased receipts of Fl 1.4bn (Fl 1.2bn).

A development that contributed to the fairly good fortunes were the high interest rates, which pushed up income from investments mainly in the life sector. However, growth in new business coming in did stagnate somewhat as a result of the subdued development of business and industry in the Netherlands and the public's stagnating purchasing power.

For most of the big companies, activities in accident insurance—though improving—are in fact still lossmaking. In the past year, however, the Government allowed premiums to be raised to "more realistic levels," costs were contained, the growth in the number of accidents was not so strong and the companies have succeeded fairly in bringing more order in the highly competitive market. However, price competition has increased in fire insurance on commercial risks, in motor insurance and in health insurance as a result, as Ennia put it, of the impact of "outsiders."

As for life insurance in the Netherlands, the decline in the demand for housing had its clear effect on the mortgage market and it also influenced the production of mortgage-linked life business. The Dutch companies have recently been hammering home the message to the consumer of the need for supplementary insurance in addition to existing pension provisions, but it is still too early to gauge the impact of the massive advertising campaigns.

Michael van Os



The Utrecht headquarters of Amev, which has become active in the U.S., the UK and Australia in the past year

Options

CONTINUED FROM PREVIOUS PAGE

have already been started or are in the process of being developed as well as the increased public relations effort. The EOE spokesman efficiently, several activities notes that the exchange has filed an official request with the Dutch Finance Ministry in The Hague to begin trading in options on bonds. "I don't expect there will be any problems in obtaining the Ministerial green light. And since there aren't any technical obstacles in sight, dealings in these bonds, which will be restricted to British, German, American, French or Dutch state loans, or state-guaranteed loans, could start at the end of this year or in early 1981."

He claimed that the new type of activity to be offered would be unique in Europe. The exchange has similarly requested official permission to *start dealings in gold options, but, given the current state of* the gold market, it is not in any particular hurry.

Commissions cut

One of the measures taken to create more interest in German options among international and private investors has been to cut commissions, while the way in which training is organised is being adapted more closely to the needs of German, Austrian and Swiss investors. "We feel that interest must be generated mainly by the country where the stock comes from. We see great potential in the German market. It is therefore regrettable that we haven't quite received the co-operation hoped for.

"We have no German members—the German banks have collectively refrained from taking up membership of the EOE—which means that *business is being done through American brokers in Germany.* However, the public there really wants and expects its own banks to offer such a service."

The service's international character should also be strengthened as the ASE goes ahead with the listing of American shares in original form, so that American shares can be traded on an official exchange six hours before the New York Stock Exchange opens. The EOE obviously hopes that interest generated in this manner will lead to increased turnover in options on American shares.

After the two major setbacks to the EOE reported in this survey a year ago—the ceasing of business of First Options of Amsterdam, one of the the leading clearing members, and the return to Britain of Mr. Michael Jenkins, a managing director of both the EOE and the Clearing Corporation the EOE spokesman: "*We were hardly to blame for the former development*, and as to Mr. Jenkins, he had unfortunately intended to stay for a limited period only, and he did not leave, as some Dutch papers suggested, because he was disappointed with the EOE"), the past year has also produced a major blow: the much-publicised "Van Lanschot affairs."

F. Van Lanschot, one of the smaller Dutch banks, which is 35 per cent owned by the National Westminster, confirmed in December last year that it may have to write off Fl 4m on option deals carried out by one of its clients in breach of the EOE's and the bank's own rules. Meanwhile, both organisations have instituted tighter controls. "It was a rather big teething problem for our relatively new organisation," the EOE spokesman said. "But we have certainly learned a lesson."

Michael van Os

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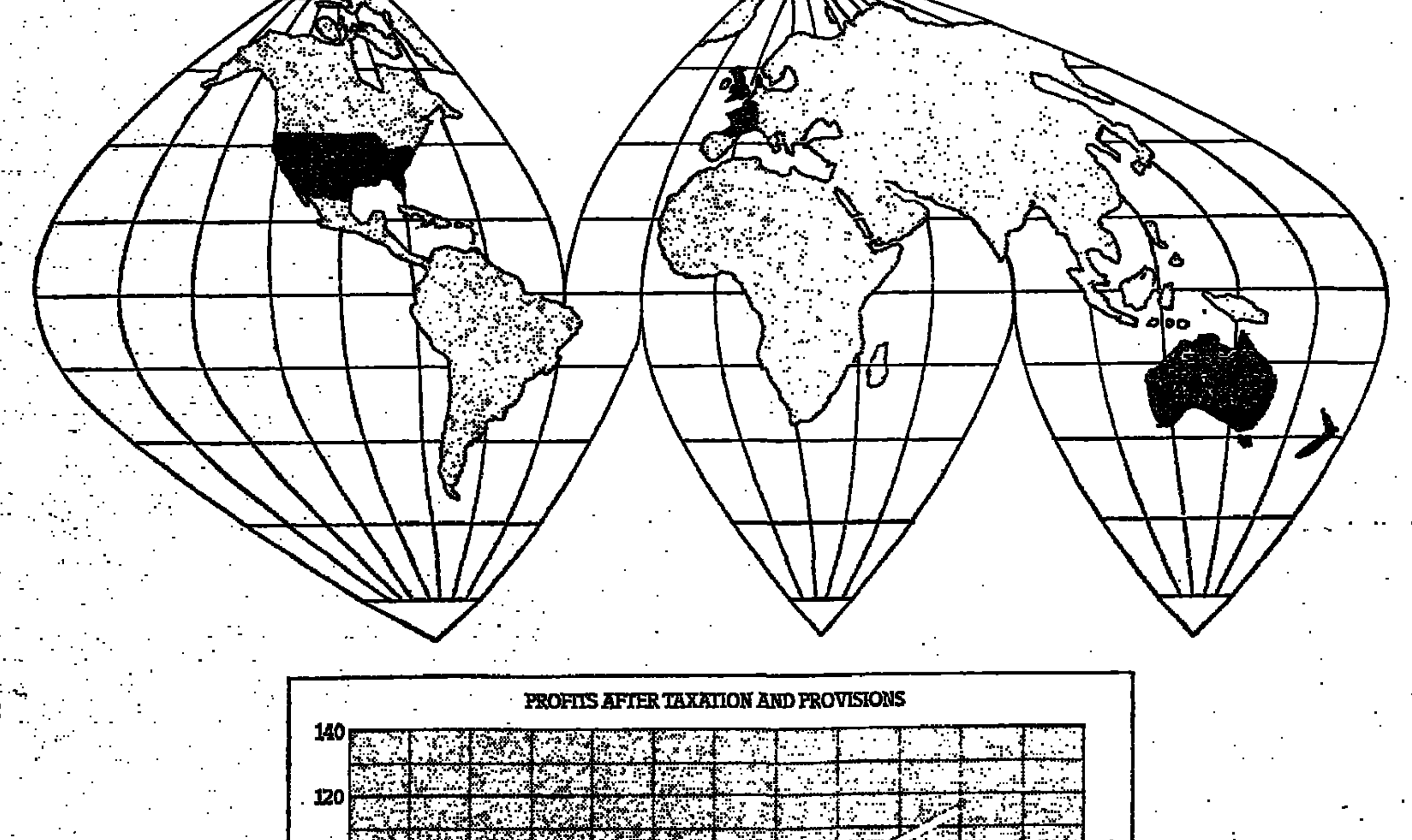


Who we are

AMEV is an insurance and financial group of international importance with assets of more than £2,000m.

The Utrecht, the second largest life assurance company in the Netherlands, has sums assured in excess of £12,000m. The group is also active in general insurance, investment, industrial and commercial finance, investment funds, savings banks, consumer credit, project development and foreign exchange.

Expanding abroad

AMEV has long been established in Belgium, France and Denmark and has continued to strengthen its position there. During the last decade the main expansion has been in Australia, New Zealand, the United States and the United Kingdom.

In 1978 AMEV bought Time Insurance of Milwaukee, a successful US insurance company. This year it has concluded an agreement to acquire a still larger US insurance concern, Interfinancial of Atlanta (Georgia).

In Australia too, AMEV has grown steadily. Its latest move has been to acquire United Dominions Trust (Australia), a financial services group particularly strong in consumer credit. Last year saw the acquisition in the UK of Gresham Life Assurance Society.

Record of success

During the past five years AMEV has expanded rapidly. Total income has risen from Dfl 1289m in 1975 to Dfl 2430m in 1979. Over the same period capital and reserves have increased from Dfl 583m to Dfl 1058m. Net profit after tax, which in 1975 was Dfl 53.8m, last year amounted to Dfl 115.1m. Further substantial growth is expected in 1980.

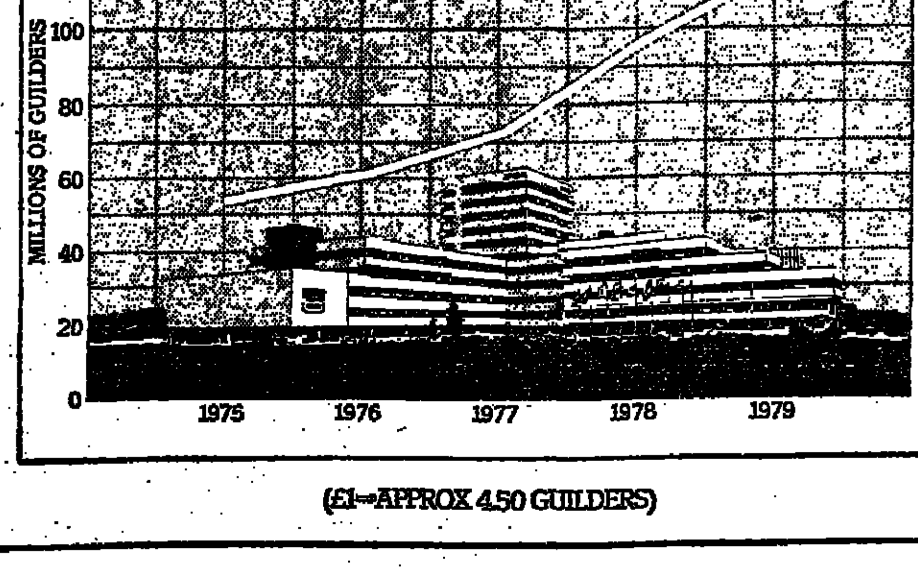
AMEV in the UK

Until 1979 AMEV conducted mainly unit-linked life assurance business in the UK through AMEV Life Assurance of Reigate. It has since acquired Gresham Life Assurance Society of Bournemouth, a company firmly established in conventional life assurance. Together these two companies offer a wide life assurance and investment service.

More information about AMEV is contained in the 1979 Annual Report, obtainable from AMEV Limited, 2-6 Prince of Wales Road, Bournemouth BH4 9HD.

AMEV

Utrecht
The Netherlands



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Government spending will need a new prop

THE DUTCH GOVERNMENT expects its borrowing to reach a record level this year. The efforts of two successive Administrations and of the monetary authorities have been unable to reduce the borrowing requirement.

This has led to the charge that the public sector has crowded private industry out of the capital markets. However, a real clash between the public and private sectors has been avoided so far since industry's own problems have meant it has not been an active borrower.

If industry is to be the motor of the country's economic recovery it must be given more room to borrow. High interest rates—real interest rates have been at record highs of up to 5 per cent recently—act as a further disincentive for industry to invest.

Central government spending this year, including money channelled through a number of special funds, is expected to amount to Fl 131.9bn ($68.3bn) this year compared with revenues of Fl 118.2bn. The Fl 13.7bn deficit amounts to 4.75 per cent of national income, according to revised estimates released in June.

When spending by the provincial and other lower authorities is taken into account, the Government's total borrowing requirement, including funds needed to repay loans, is expected to amount to Fl 17bn compared with Fl 15.9bn in 1979. By mid-June the Government had reached agreements to raise all but Fl 3.4bn of this figure. The total deficit will rise *to 5.75 per cent of national* income from just over 5.5 per cent in 1979.

The picture was gloomy enough in the original budget estimates but the sluggish economic performance and the lower than expected tax revenues led to a further worsening of the outlook. Without hastily - announced *additional spending cuts* of Fl 3bn this year, borrowing would have reached 6.5 per cent of national income. The cuts are intended to bring it back to betwen 5.5 and 6 per cent.

Welfare

The Netherlands' progressive and comprehensive social welfare system has its price. Public sector spending as a share of national income rose to 64 per cent from 36 per cent in the 20 years up to 1980.

While the growth of government spending on goods, investment and wages rose only moderately, transfer payments to meet the welfare bill have risen sharply. Generous increases in the level of the minimum wage and the indexation of security benefits pushed up the cost while the slow down of economic growth meant more *people were in need of some* form of welfare payment.

Natural gas revenues are rising in line with oil prices put the depletion of the Dutch gas reserves will remove a major prop for government spending. Gas revenues have accounted for more than a third of all non-tax revenues in recent years. The original revenue forecast for 1980 was Fl 8bn though this sum will be higher as a result of recent oil price increases. The Dutch are now trying to renegotiate gas export contracts to allow a fuller and faster adjustment of the price to that of oil.

A Finance Ministry study carried out in the mid-1970s concluded that the Government's deficit could rise temporarily, though in the long term it should be reduced. Sluggish economic growth, a continuing high level of government spend*ing and the rise in unemploy*ment have led though to an increase rather than a reduction over the past five years. The Government has encountered strong resistance at home to its efforts to redistribute wealth between the private and public sectors.

Dr. Arnout Wellink, Treasurer General at the Finance Minis*try, said:* " *In retrospect the* system was over-optimistic in judging outside influences and in assessing the readiness among people to moderate their demands. It is essential that we reduce the high financing deficit."

He cited a number of factors which should ease the Government's position. Wages—which are used as a base to calculate a broad range of public sector salaries and social security payments—have been subject to controls this year. Efforts made in recent years to reduce industry's costs should start to show up in industrial performance while gas revenues will rise in line with the higher oil price.

Significantly, the consensus is growing that the financing deficit is too high. All political parties, including the Labour Party, now agree it must be reduced.

Dr. Wellink does not feel that the Government has crowded the private borrower out of the capital market even though government bond issues now number eight a year compared with one or two in the early 1970s. Interest rates are high but that is mainly due to outside pressure, he pointed out. As a member of the European *Monetary system*, the Netherlands keeps the guilder within the agreed fluctuation limits by means of its interest rate policies.

"We have always worked with the capital market. We have not issued tax-free loans as some people have suggested we should, nor have we set the yields on our loans above the market rate. We use the tender system for our borrowings. The fact that we have not had to offer above-market rates proves, in my view, that we have not disturbed the market."

Dr. Wellink's view is not universally shared. "The private capital market is closed to industrial borrowers, with a few exceptions," said Dr. Henk Kruisinga, a board member of the Akzo chemical group, recently. "The same applies to the public capital market, since this is largely dominated by the Government's activities."

Competition between the different public bodies means that industry faces exorbitant rates of interest which almost prohibit borrowing, he concluded.

Banking economists also do not underestimate the size of the problem. The Government's financing deficit has reduced its ability to take measures to stimulate the economy as well as pushing up capital and money market rates.

However, an economist at one major bank took the view that even if the Government does not reduce its borrowing to 5.5 per cent of national income, a figure of 5.75 to 6 per cent did not represent a dramatic worsening. "The 6 per cent limit the Government has set itself has become a magical figure which is not so significant in economic terms."

The Central Bank is extremely worried about the large deficits. The curbs it has imposed on bank lending are not only aimed at controlling liquidity and ultimately inflation but also are seen as a warning to the Government to mend its ways. By skirting the issue of the size of the borrowing requirement the problem only becomes more pressing and more difficult to solve. Dr. Jelle Zijlstra, the Central Bank President, warned in his latest annual report.

The Government funds its deficits from three main sources. It has about one-third of its borrowing needs—about Fl 4.5bn in 1979 and 1980—from the civil servants pension fund, which is required to place much of its own income with the Government.

Threat

The capital market is a major source of funds though the rapid growth of recent years is now over, in the view of the Finance Minister, Mr. Fons van der Stee. The Government has already borrowed Fl 4.3bn on the public capital market this year—compared with Fl 4bn in 1979. The private capital market, where borrower and lender agree the loan conditions in confidence, has increased greatly in importance since it was first tapped in 1976. Private borrowings already total Fl 3.2bn and may equal public issues this year for the first time.

The most controversial method of borrowing is the issue of Treasury Bills. This "monetary financing," instead of drawing on capital market funds, creates additional liquidity and ultimately fuels inflation. It is understandably strongly disapproved of by the Central Bank.

The Government first had recourse to monetary financing in 1975. Initially it was able to use up the Treasury account, consisting of accumulated Government deposits at the Central Bank. This account was reduced to Fl 2.3bn at the end of 1979 from Fl 6.3bn five years earlier and the Government has now been forced to make more frequent issues of Treasury bills. Placements totalled Fl 6bn in 1975-79 and have amounted to Fl 1.7bn so far this year.

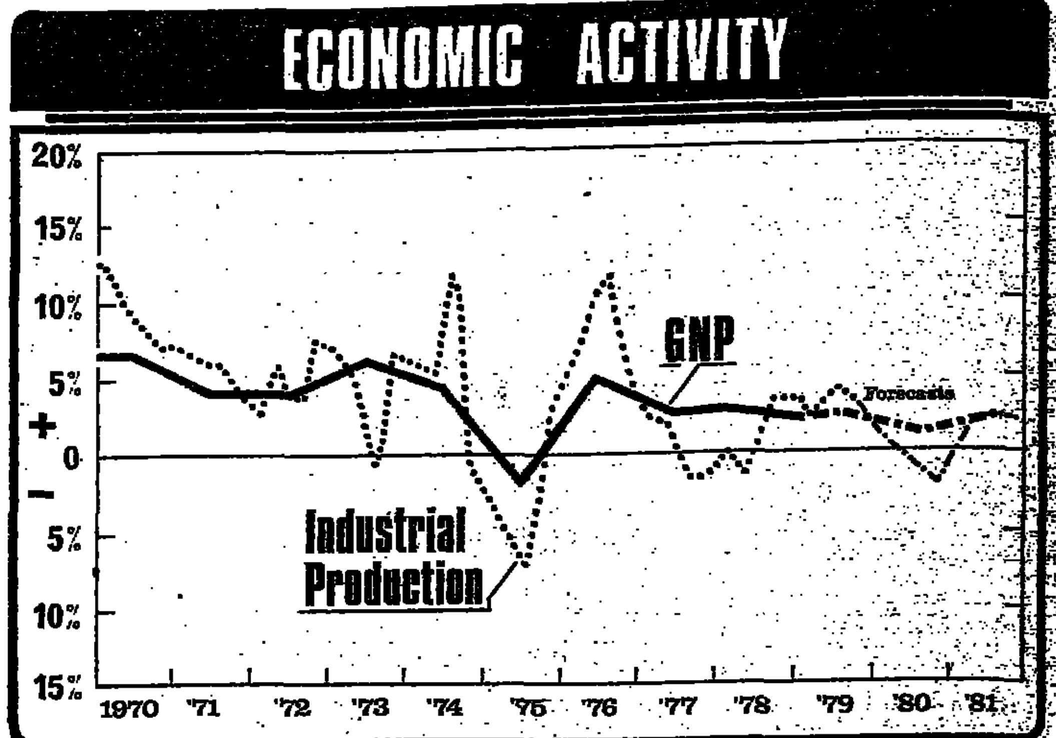
"Monetary financing represents a threat to our policy of reducing the amount of liquidity in the economy," said Dr. Wellink. "The central government is doing well in balancing monetary financing against capital market borrowing, though the position of the lower authorities is not yet clear." Whatever form of borrowing is used by the Government, it is plain that it cannot continue indefinitely at these levels. "We are drinking the well dry."

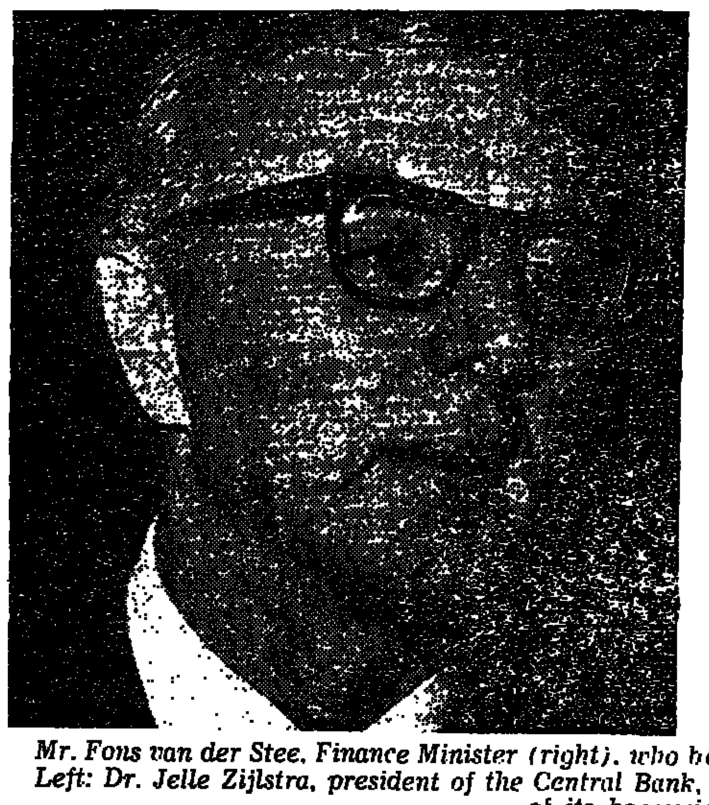
The burden of repayments and interest is also increasing at a worrying rate. Loan repayments alone will amount to 3.5 per cent of national income in 1985 compared with 0.5 per cent a decade earlier. If spending is not curbed interest payments would double over the same period to 3 per cent.

Borrowing abroad would appear to be a partial answer but this has been firmly rejected as being inflationary and as delaying the solution of the underlying problems. The Dutch Government has had no foreign debts since 1976. It should be noted, however, that foreigners have invested in Dutch state loans while restrictions on foreign borrowing by banks in the Netherlands were recently lifted.

The government faces some difficult choices in compiling the 1981 budget, which is the last of its present term. Further spending cuts believed to amount to Fl 6bn are being considered and Mr. Dries Van Agt, the Prime Minister, has hinted at reductions in welfare benefits. Previous spending curbs have been insufficient to halt the growth of the government deficit. Time and the country's gas reserves are running out too quickly for any further delay.

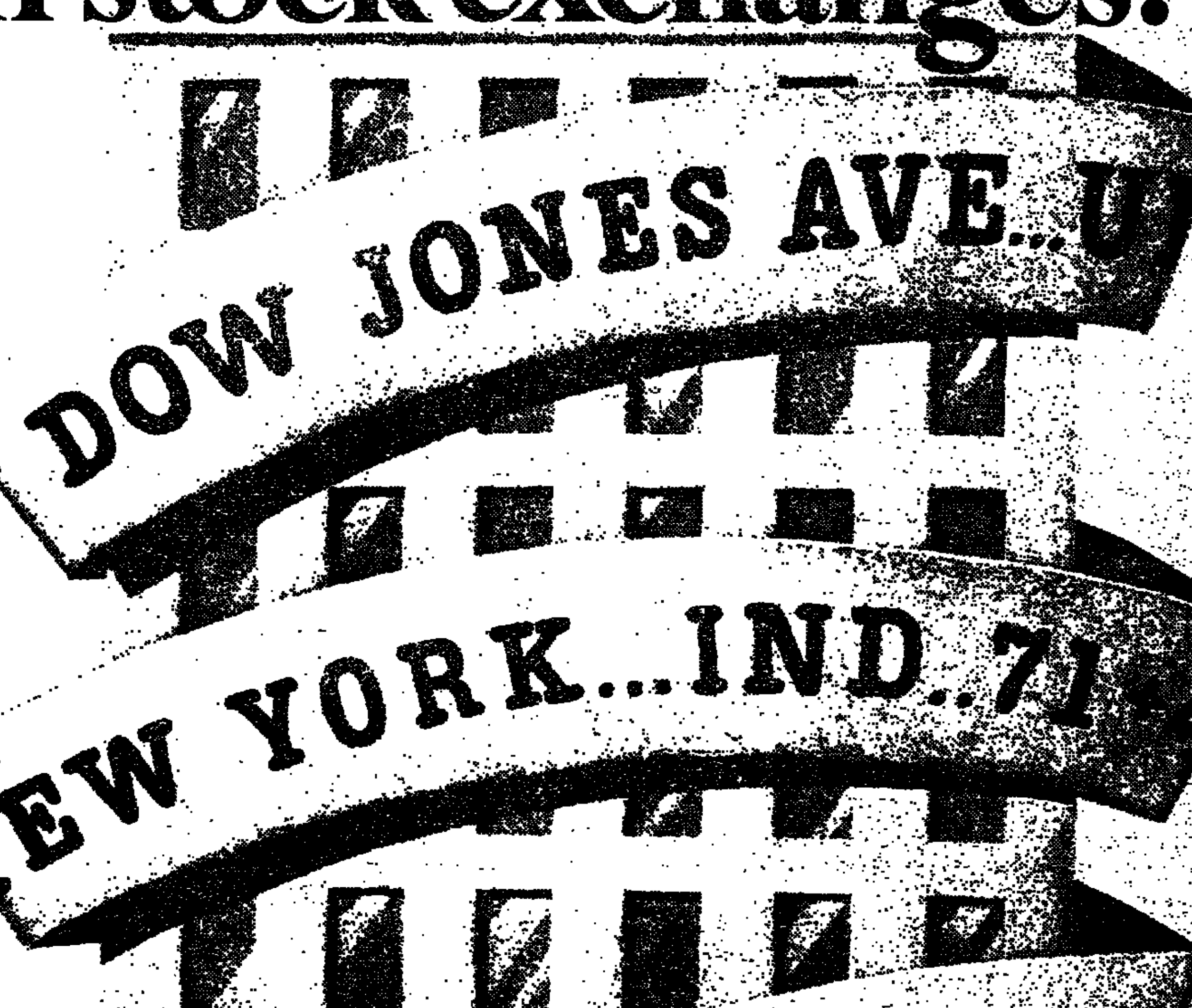
Charles Batchelor





Mr. Fons van der Stee, Finance Minister (right), who believes that the capital market's rapid growth is over. Left: Dr. Jelle Zijlstra, president of the Central Bank, whose report warned the Government about the size of its borrowing requirement

How can a bank that's so unknown be so well-known on stock exchanges?



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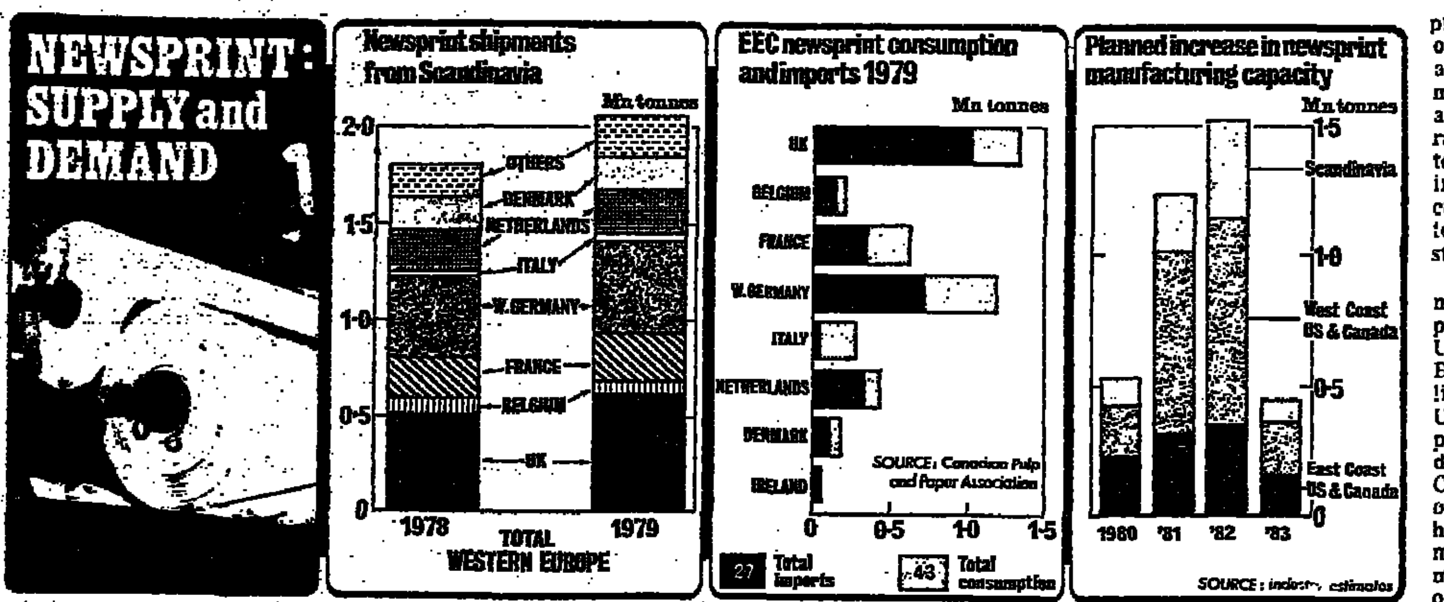
Newsprint cartel and the men from DG4

BY MAX WILKINSON



AT 9 a.m., the bureaucrat's equivalent of dawn, two smartly dressed men from DG4—the EEC's Directorate General No. 4—burst into the London office of Press Papers, the marketing company for Scandinavian newsprint, and removed a bundle of documents.

The raid, on a cold February morning in 1977, showed an agility seldom noted among EEC officials and it signalled the start of a major operation throughout the capitals of Europe to search and possibly destroy cartels in the newsprint industry.

This week, after nearly three and a half years, Directorate General No. 4, the sheriffs of EEC competition law, were able to report that their mission has been, to some extent accomplished.

The main newsprint producers in Sweden and Norway announced yesterday that Press Papers will be downgraded to a servicing and distribution organisation, and that plans are in hand for the companies each to set up competitive marketing and pricing organisations.

The success is more remarkable because it shows that the writ of DG4 can be made to run far beyond the boundaries of the Nine, even though the articles of the Treaty of Rome can only be applied in detail to trading stations, like Press Papers, which are physically on EEC soil.

However, like the old Federal Marshals in the West, the men from DG4 are discovering that the law is a rather blunt instrument for dealing with an industry in which the goodies and the alleged baddies have formed extremely subtle and long-standing relationships.

Cartels in the newsprint industry have a long and respectable tradition, particularly in Britain, where a joint organisation of producers was needed to administer rationing after the war.

CANADIAN NEWSPRINT SHIPMENTS 1979 (1,000 tonnes)

	1979	1978
Total	8,780	8,880
Canadian market	971	908
U.S. market	6,370	6,429
West Europe	585	680

Source: Canadian Pulp and Paper Association

The Newsprint Supply Company continued its job well into the 1950s; it allocated scarce supplies to competing newspapers and kept the price down for the benefit of consumers.

After the end of rationing the two main groups of importers, from the Nordic countries and Canada, split off into separate marketing blocks. The Finns already had their own joint marketing company, Finpap started way back in 1918. The Norwegians and Swedes joined up to form Press Papers. The Canadian producers consolidated their forces behind British International Papers—BIP — (the UK subsidiary of Canadian International Papers) which acted as agents for most other Canadian exporters.

For more than a decade until the early 1970s the Nordic countries were able to dominate the pricing of newsprint in the UK, and to some extent in other parts of Europe. Although the use of the word "cartel" elicits a pained response from Nordic paper men, there is no doubt that an extremely cosy relationship has existed for many years between the major groupings.

It can be fairly stated that when two or three newsprint executives are gathered together (often in an expensive hotel for their annual conference), they are unable to resist the temptation of bewailing the ruinously low prices which so often appear to prevail. It would be surprising if, during the years, suggestions had not been made for averting possible disaster.

Indeed, in an industry which is prolific in statistics, and provides a large slice of employment in the Nordic world some consensus about pricing is inevitable and perhaps even desirable.

Although EEC competition rules apply indiscriminately to all, the paper industry presents very different problems from those of the plastic duck industry or consumer electronics, where price fixing would be most obviously wicked.

The reason is that modern paper mills are built the size of cathedrals at costs which can be at least £100m for a new plant. A single new newsprint mill producing 200,000 tonnes a year could supply the whole of Belgium or getting on for a third of the requirements of France.

For that reason, manufacturers are extremely anxious to moderate their competitive instincts by exchanging information about future demand and plans for increasing capacity. The Swedes and the Finns even have an informal agreement at Government level about the phasing of new investments aimed to prevent overcapacity.

Indeed, as production units become ever larger it is increasingly important for the industry to try to match expected demand as exactly as possible with supply so that they can keep all their machines running at high capacity.

However, a small amount of over-capacity can reduce operating ratios enough to wipe out profits even if the price of newsprint holds up. For this reason a case can be made out that when supply exceeds demand, as it did after the 1973 oil crisis, paper mills need to increase prices rather than reduce them.

Since it is rarely possible to increase prices in a buyers' market manufacturers have at least attempted to contain their grief by what they call a "responsible pricing policy."

This means, of course, that all good manufacturers should come to the aid of the industry by attempting to edge prices upwards at the first sight of a blue chink in the clouds of recession.

The idea that prices should be maintained or preferably raised during a recession runs absolutely counter to the Romish faith in free market principles which sustains the operation of DG4. Clearly an attempt to sustain prices against market presure implies if not a cartel, a highly developed rapport which enable everyone to arrive at the same figure independently. This is what the current investigation by the team of Eurocrats is seeking to stamp out.

However the Scandinavians' main competitors in Europe, particularly the two remaining UK newsprint manufacturers, Bowater and Reed, are less likely to be pleased. Both the UK companies are selling newsprint at a loss, because prices dictated by much larger Canadian and Scandinavian operations cannot cover the high cost of energy and raw materials in the UK, where mills are in any case smaller, older and less efficient. Similar cost pressures apply to many smaller mills throughout Europe.

In the UK overseas competition has led to a rapid reduction in capacity. On the Continent the shakeout has been less pronounced, partly because prices have been higher, and partly because governments tend to believe production of the raw material for newspapers is of strategic importance.

Any strategy for preserving or developing the European industry against overseas competition would almost certainly therefore require a long-term policy for pricing and co-operation in the EEC which runs directly counter to the efforts of DG4. Even if there were no contradiction between the efforts of DG4 and those of industrial strategists over the road at DG3, it could be argued strongly that competition policy and strategies for investment subsidies and development should in the case of the paper industry at least, be in a more oecumenical relationship.

On the other hand the efforts of DG4 may prove to be rather irrelevant to the industry because its worldwide structure has been changing markedly in the years since the investigation was mounted.

The main changes are the increasing strength of the paper industry in the southern states of the U.S. where the costs of labour and wood are much lower, and the consequent pressure on Canada (the traditional supplier to the U.S. to look for new markets, particularly in Europe.

UK ANNUAL NEWSPRINT PRODUCTION (in thousand tonnes)

1967	712	1974	382
1968	736	1975	316
1969	790	1976	326
1970	757	1977	300
1971	576	1978	219
1972	468	1979	363
1973	412	1980	382*

*Annualised rate based on 1st quarter.

The U.S., with consumption of over 10m tonnes a year is far the largest user of newsprint, and Canada much the largest producer.

Even a small recession in the U.S. therefore puts pressure on Canadian producers to divert supplies to Europe in order to keep their mills running flat out. At present Canadians with their huge forests can land newsprint in the UK at a cost which is some £15 to £20 per tonne less than the cost to a Scandinavian manufacturer.

As a result of this cost advantage, the Canadians have tended to become price leaders in the UK at least. This process started in 1973 when BIP ended its marketing arrangement with other manufacturers and became totally independent. Then in the winter of 1976 BIP decisively broke the pricing consensus by lowering its UK price. All other manufacturers including the reluctant Scandinavians were forced into line shortly afterwards.

The new aggressiveness by the Canadians is illustrated by the fact that in January and February this year exports to Europe shot up by 17 per cent and 47 per cent respectively. In the longer term, as the graph shows, manufacturing capacity in North America is expected to increase by about 6 per cent a year for the next four years, while demand, which follows U.S. economic growth, is unlikely to increase by more than an average of 3 per cent a year.

So as one worried executive remarked: "There is going to be a hell of a lot of cheap newsprint trying to get across the Atlantic by 1984." Even in small amounts Canadian newsprint will tend to hold European prices down and give many more worries to DG3 than to DG4.

The year of 1984 has, perhaps an even more menacing aspect for European newsprint manufacturers, for it is then that all tariff barriers against Scandinavian countries (in the former European Free Trade Association) will be dismantled. The present rule which allows a total of 1.5m tonnes of newsprint to be imported duty free into the EEC will have to be renegotiated. The present 1.5m quota is shared between Canada and Scandinavia. After 1984, the Canadians would like the whole of this quota for themselves, but representatives of the European industry want the quota to be lowered to perhaps 500,000 tonnes a year, somewhat below Canada's total shipments to the EEC last year.

The argument about how much the EEC needs to be protected against Canadian newsprint is being hotly pursued in Brussels at the moment, but not at DG4. That is the affair of another department and it is, or will be, another story.

Letters to the Editor

The reality of Europe

From Mr. D. Prag MEP

Sir,—The Financial Times' coverage of our European Parliament affairs is in general so good that I am sure it can take a little fundamental criticism. Your reporter, John Wyles, in line with current conventional attitudes, alleged (June 28) that the strength of the European Parliament's commitment to fundamental reform of the Common Agricultural Policy was left seriously in doubt by our examination of the 1980 Budget last Friday in Luxembourg.

As far as this European Democrat is concerned, let me say categorically that there is no weakening whatsoever in the commitment to fundamental reform—of the Community as a whole, not just the CAP. What I, and many of my colleagues of all parties and all nationalities were not ready to stomach in the Budget examination, was the constant singling out of the CAP as the great scapegoat for all the Community's ills.

Of course there are many things wrong with the CAP. Of course the financing of stocks is too expensive, and of course the milk surplus must be curbed.

But we should also remember that all stocks are not surplus; that the terms "mountains" and "lakes" so beloved of the media are emotive and often misleading; that secure food supplies at stable prices are a great advantage in a world where hunger abounds; and that we have already taken major steps to curb the milk surplus the cow slaughter premium which has cut the number of dairy cows by 1m and a low increase in the co-responsibility levy paid by milk producers from 1 per cent to 2 per cent. Moreover, the principles of the CAP, as pointed out in a recent excellent article in the Financial Times (June 27) are still fully valid, and the view is held by a large majority of Euro-MPs.

In addition, some British Euro-MPs including myself felt that, after the huge concessions given to Britain on our budgetary contribution (we should get back about £2.5bn over the three years 1980-82 in exchange for a very modest per cent increase in this season's farmgate prices), it'll become us as Britons to go on taking swipes at the CAP in the 1980 Budget. Heavens, that Budget was already over six months late, and the failure to pass it has been causing the Community all kinds of difficulties. We had made our point, and it made no sense to go on with the battle any longer.

But I can assure you that my own commitment, and that of my European Democrat and other colleagues, to fundamental reform of the Community's activities, and the achievement of a sensible balance of spending with the Budget, remains as firm as ever. It is a matter of how that balance is to be achieved. More and more of us are becoming convinced that, whatever reforms we may manage to achieve in the CAP, the chances of actually cutting expenditure are negligible. The governments talk about it a great deal—and then invariably take decisions that increase its cost.

A proper balance of expenditure between agricultural and other policies in the European Community will only come through an expansion of Community action and expenditure in other fields—energy, industrial re-structuring, regional policy, training and re-training, and (one day) security. Naturally, this increase must be balanced by a corresponding fall in expenditure by national authorities in these fields.

What is wrong with the Community is not just the excesses of the CAP but, much more, the refusal of member governments to move beyond the CAP and make the Community a reality to anyone but farmers. Nearly always, they prefer obscure, unenforceable legislation to simple, effective joint action.

Our commitment to build a strong, united European Community has not faded in any way. But we have to choose our battleground sensibly, and make sure we are furthering and not destroying our hopes. It was time to get the 1980 Budget through—the next battles for Europe will come in the 1981 Budget.

Derek Prag.
Euro-Centre, Maynard House, The Common, Hatfield, Herts.

Placing money with councils

From Mr. C. Dobson

Sir,—I read Mr. Robin Pauley's article (June 17) with interest, Mr. Twist's rejoinder (June 19) with satisfaction and Mr. Hatfield's comments (June 26) with dismay.

To suggest that "spendthrift local authorities and in particular Manchester are destined to become another New York" shows an ignorance of the financial safeguards that exist in British local government.

In simple terms—which from his first paragraph Mr. Hatfield seems to appreciate—New York continued to borrow at ever-increasing interest rates to finance ever-increasing revenue expenditure and suffered the consequences. Local authorities in the UK cannot borrow in the same way to finance revenue spending and must "square their books" each year by levying a sufficient rate, which, added to the rate support grant and natural income of the authority, must cover all outgoings during that year—including interest on loans the council has taken to finance capital expenditure. Any short fall or surplus resulting from this process will either harden or soften the blow the rate-payers must face the following year.

Therefore it would not be surprising if, in times of higher-than-expected inflation, crippling interest rates and the visitation of Clegg, local authority treasurers—particularly those in naturally high-spending conurbations—felt that the blow to ratepayers next year might be hard.

New York never faced reality. The UK system does—every year, and that is what hurts.

Victor Robson in his letter of June 30th attempts to justify his prescription of strong credit withdrawing behave yourself medicine. I wonder if Mrs. Thatcher, to whom he is reported to have made strong representation, has given him any indication of her thoughts on his suggested cure.

I would suggest that the Government would prefer to administer its own treatment through grant cuts and other central controls which if implemented would have stronger effect than the "Robson plan."

Incidentally, Mr. Robson, the Public Works Loan Board facilities to which you refer provide loans to local authorities for a five-year minimum period and that hardly ranks as "short term" assistance.

C. M. Dobson.
Butler Till Limited,
Adelaide House, London Bridge, EC4.

Mythical strikers

From Mr. J. Little

Sir,—Mr. V. Stepanov (June 27) puts on a fine show of righteous indignation, but the very phraseology he adopts reminds one of the famous dictum "Qui s'excuse, s'accuse."

The Soviet Union being a ruthless dictatorship and also a closed society, one is obliged to make the following points. "Foreign media" reports are not directed at inciting Soviet workers to strike but to show that industrial relations inside Russia are not all the Soviet authorities pretend them to be.

With regard to the strikes at the Togliatti and Gorki plants having been "conclusively disproved," one must ask by whom and under what conditions and circumstances — independently of Soviet authorities—were these facts disproved?

The $64,000 question is: will Mr. Stepanov and/or the Soviet authorities allow Western reporters and cameramen into the Kamaz lorry plant in order to talk to individual Russian workers? One has only to put this question to realise that it would be extremely unlikely for the Russian authorities to allow any independent inquiry. Without this one can only regard Mr. Stepanov's excuses and protests as quite valueless.

J. S. Little,
Orchehill Cottage, Orchehill Rise, Gerrards Cross, Bucks.

Russian reading matter

From Mr. R. Musgrave.

Sir,—Mr. Sepanov claims (June 27) that the Western Press fabricates stories about strikes in Russia among other things to induce Russians to actually go on strike. Mr. Stepanov's charge is rather far-fetched surely, since Western newspapers are virtually unobtainable in Russia, particularly in the provinces (like Togliatti) where the alleged strikes took place.

R. S. Musgrave.
24 Garden Avenue, Framwellgate Moor, Durham.

Definition of 'provisions'

From Mr. K. Matthews

Sir,—Mr. Waldron (June 27) should read his Companies Acts a little more carefully. The definition of "provision" is in two parts, which can conveniently be referred to by the non-statutory terms "asset provision" and "liability provision."

An asset provision is defined as "any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets," subject only to the rule that where a provision "is in excess of that which in the opinion of the directors is reasonably necessary for that purpose, the excess shall be treated . . . as a reserve and not as a provision."

While I agree with Mr. Waldron that general bad debt provisions ought to be classified as reserves, it is easy to see that the above definition is insufficient to achieve this.

As to disclosure of movements in provisions, he is again wrong. Published accounts do not ignore the law in failing to disclose movements in current asset provisions, because there is specific exemption from such disclosure. "There shall be shown . . . the amount, if material, set aside to provisions other than provisions for depreciation, renewals or diminution in value of assets. . ."

That means disclosure of movements in liability provisions only, and the wording relating to disclosure of the actual amounts of provisions (in the balance sheet) is similar. Disclosure of depreciation provisions and movements therein is separately required by another paragraph, and so the only provisions which need not be disclosed at all are those relating to non-fixed assets such as bad debts.

K. H. Matthews,
17 Main Avenue, Wyndham Park, Peterston-super-Ely, Cardiff.

Lacking a Telex in dockland

From the Chairman, Jonsel Kobi Cradles

Sir,—Having been persuaded by advertisements showing the advantages to companies of the dockland development schemes and having been given a lot of help by the London Borough of Newham, the company of which I am chairman decided last year to move to docklands. With one major exception the move has been successful. That exception is the Post Office.

In April 1979 we applied for a telephone line for our new premises. We moved into the premises at the beginning of July 1979. In spite of vigorous protests we didn't receive a telephone line until the end of September. To try to run a business which is both exporting and importing without telephones is near impossible. We managed to overcome this problem, however, and we have now applied for a Telex machine only to be told that there is a waiting period of one year.

At a time when the country has 1.6m unemployed only a monopoly industry could operate in the cavalier fashion of the Post Office. The vast profit that is made by the telecommunications division is made not through efficiency but through its monopoly power. If Margaret Thatcher wishes to get the country back on its feet she should introduce a short Bill denationalising the Post Office and abolishing its monopoly powers. Until that is done may I say to any company contemplating a move into dockland—don't—until you know that the telephones and Telexes have been connected.

John E. Strafford,
Jonsel Kobi Cradles, Oriental Road, Silvertown E16.

Customers make employment

From Mr. A. Braley

Sir,—It is unfortunately typical of Labour Party and trade union thinking that Mr. R. Hardie of the Amalgamated Union of Engineering Workers can write a longish letter to you (June 25) on an industry's problems without once showing a sign of recognising that goods have not only to be produced, but sold, and sold at arm's length to buyers with limited purchasing power and alternative sources of supply.

This means that the customer is king, and that in turn means that products must be of the kind he requires; they must be efficiently produced; they must be properly marketed and supported; and as such, they must beat the competition.

For anybody to talk about job-loss, job-creation, job-location or "a massive programe of public investment in industry" without having these factors in the forefront of his thinking is spitting into the wind. In fact, your own first leader in the same day's issue brings out all the main issues that have to be faced.

What is so tragic is that hundreds of thousands of Britons are suffering the physical and moral wounds of unemployment which, though doubtless inevitable in the aftermath of the Organisation of Petroleum Exporting Countries revolution and world recession, is far more widespread than it need have been if all concerned had been more far-seeing, imaginative and flexible.

British industry need not die, but the price of survival is readiness to adapt to change instead of ignoring or trying to stop it.

A. Braley.
93, London Road, Knebworth, Herts.

Transport in London

From Professor P. Hall

Sir,—Anatole Kaletsky's excellent article (June 23) on the crisis in London Transport omits one vital point: that its problems are massively exacerbated by the parallel management failure in the Greater London Council, whose long established policy of traffic restraint has completely broken down in the face of a 57 per cent shortage of wardens and fines at derisory levels—both results of galloping inflation.

Westminster City Council has stated that there are now as many illegally parked cars in central London as legally parked ones. And Sir David McNee, in a paragraph of his latest annual report that has been curiously ignored, predicts that on present trends London's traffic will reach paralysis in two years' time.

We propose a double-barrelled remedy: charges on driving in central London (following the successful Singapore model), the proceeds to be applied to higher public transport subsidy to improve services levels as suggested in your article. Unless the balance is redressed in this way, Londoners will continue perversely to have an absolute incentive to use their cars while London Transport is trapped in its vicious spiral of rising fares and declining service.

The article also failed to emphasise the massive problems caused to public transport management by responsibility being split between so many different bodies—in particular, British Rail and London Transport. We propose a unified transport authority for all public transport servicing the London area.

Prof. Peter Hall,
Fabian Society
11 Dartmouth Street SW1.

Today's Events

GENERAL

UK: UK official reserves (June).

Capital issues and redemptions (June)

National Economic Development Council meets.

Mr. Michael Heseltine addresses annual meeting of National Federation of Housing Associations, 66, Portland Place, London.

Overseas: Court of Appeal in Paris ruling on extradition of Lord Kagan to UK to face criminal charges.

PARLIAMENTARY BUSINESS

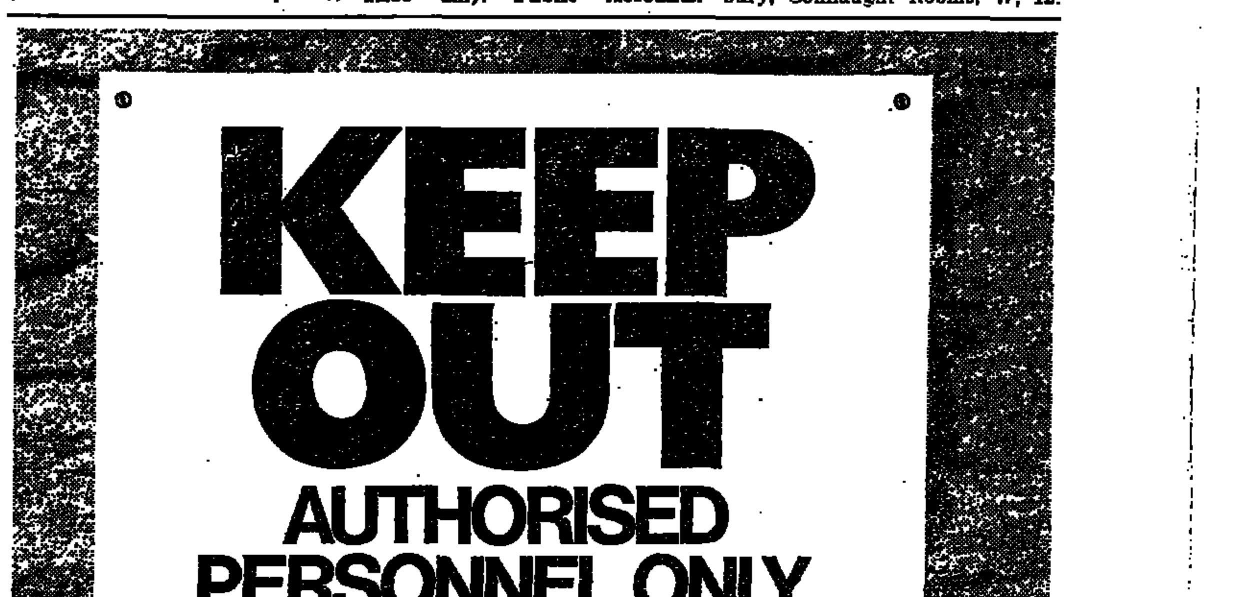
House of Commons: Debate on EEC documents on covergence and Budgetary questions. Motion to approve Education (Publication of School Proposals) (No. 2) Regulations.

House of Lords: Housing Bill, committee stage. Debate on the EEC Budget.

Select committees: Foreign Affairs. Subject: Effects on British Foreign policy of Soviet expansion in Afghanistan. Witnesses: Foreign and Commonwealth Office (Room 15, 10.30 am). **Energy.** Subject: Isle of Grain power station. Witnesses: CEGB (Room 8, 10.45 am). **Industry and Trade.** Subject: Import and export trade. Witnesses: ICI (Room 16, 10.45 am). **Transport.** Subject: White Paper on roads. Witnesses: British Roads Federation (Room 17, 11.30 am). **Public Accounts.** Subject: NEB accounts 1979. Witnesses: Department of Industry, NEB (Room 16, 4 pm). **Transport.** Subject: Channel Link. Witness: Sir Alec Cairncross (Room 17, 4.15 pm). **Employment.** Subject: Work of Department of Employment Group. Witness: Mr. G. Howard, director, special programme division, Manpower Services Commission (Room 6, 4.30 pm).

COMPANY MEETINGS

British Home Stores, 129, Marylebone Road, NW, 11.30. Cater Ryder, 1, King William Street, EC, 12.30. Edinburgh General Insurance Services, Stonehouse Court, EC, 12. Ladbroke Group, Winchester House, EC, 11. London Trust, Connaught Rooms, W, 12. J. Sainsbury, Connaught Rooms, W, 12.



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Imperial Continental Gas shows 15% profit rise

TAXABLE PROFITS of Imperial Continental Gas Association rose by 14.9 per cent from £33.39m to £38.35m in the year ended March 31, 1980, on turnover 21.3 per cent higher at £227.74m, against £187.72m.

The pre-tax advance was helped by a 14.1 per cent increase to £12.34m in share of associates' profits, and an 11.8 per cent rise to £6.59m in investment income. There was also interest receivable of £1.16m, compared with £0.42m payable.

The share of associates represents IC Gas's main investment in Belgian public utilities, while investment from income includes dividends paid by Petrofina and Intercom.

The net total dividend is stepped up from 18.088p to 21p, with a final of 13p, as forecast in February at the time of the acquisition of CompAir. A two-for-one scrip issue is also proposed. Stated earnings per £1 share are 8.15p higher at 62.58p.

Tax took £10.46m, against £9.31m.

Calor Gas Holding Company, one of the group's main UK subsidiaries, raised taxable profits by 5.9 per cent to £13.2m (£12.46m), on turnover 23.2 per cent ahead at £206.68m (£167.55m).

Century Power and Light, the group's oil and gas exploration and production offshoot, swung from pre-tax profits of £639,000 to losses of £234,000. This was due to increased interest charges relating to the financing of the development of the Maureen oil field. Turnover rose slightly to £2.47m.

Although the directors consider it appropriate to treat CompAir as a wholly-owned subsidiary as at March 31, 1980, its accounts have not been consolidated since it would have been impracticable and would have involved expense and delay out of proportion to the value to stockholders, they state.

	Year 1979-80 £000	1978-79 £000
Turnover	227,738	187,720
Trading profit	18,267	17,109
Associates	12,336	10,812
Investments income	6,589	5,891
Interest receivable	1,161	†424
Profit before tax	38,353	33,388
Tax	10,462	9,305
Net profit	27,891	24,083
Minorities	85	381
Exchange losses	969	257
Attributable	26,837	23,445
Dividends	9,006	7,515
Retained	17,831	15,930

† Payable.

● comment

The results from IC Gas are eminently satisfactory: Calor Gas had a good enough increase in volume in the first nine months of the year to March to make up for a poor final quarter, the result of the mild winter, while the Belgian utility business, consolidated on a calendar year basis, had the benefit of the severe winter of 1979. But the market in the shares, up 23p yesterday at 398p, is dominated by the group's North Sea interests rather than its industrial base (now enlarged by CompAir which, although trading to budget at the moment, may find the going very hard later this year). The market seems indifferent to delays in the Maureen production schedule, so long as indications from the magical "T" block are good. Taking a line through LASMO, half the capitalisation may be accounted for by oil that has at least three more years in the ground. On this basis the industrial interests stand on more than 10 times fully taxed earnings: the shares are not exactly cheap, but sellers are scarce.

HIGHLIGHTS

The Lex column discusses the implications for share ownership set out in the Green Paper and analyses the £28.5m rights issue launched yesterday by S. and W. Berisford, the commodity group whose bid for British Sugar Corporation is the subject of a reference to the Monopolies Commission. The column also tests the City's reaction to the placing of the NEB stake in Ferranti. Elsewhere, the proprietors of Hay's Wharf has received an approach from the Kuwait Investment Office and Britannia Arrow is getting together with the Schlesinger Unit Trusts stable. Courage has acquired a controlling stake in the "Happy Eater" fast foods chain. Profits from Imperial Continental Gas expanded by £5m to £38.4m and the group is proposing a scrip issue. Avana has performed well in difficult conditions but the collapse in demand for sugar confectionery has hit Geo. Bassett. Tricentrol, reporting unexpectedly early, has boosted profits and placing shares in the U.S.

Tricentrol over £19m halfway

ALTHOUGH ESTIMATED pre-tax profits of Tricentrol advanced from £4.02m to £7.86m in the second quarter to June 30, 1980, they were down on the first quarter's figures of £11.73m.

The second quarter's estimates are below those for the first three months because of lower Thistle Field production due to a breakage in the Thistle/Dunlin pipeline. Temporary mechanical repair work was also required to the water injection equipment.

The board states that delay in current production in an environment of increasing prices is not considered to be against the company's longer term interest. Turnover for the second quarter was up from £55.95m to £65.55m for a six months total of £131.64m, compared with £101.52m.

Petroleum revenue tax for the six months was £7.02m (£2.06m), with the second quarter taking £2.95m (£1.15m). Corporation tax in the first half amounted to £5.01m (£1.13m) with the second quarter accounting for £2.17m (£550,000), leaving net profits after six months at £7.56m, compared with £4.03m.

As a result of the present UK economic recession and the high cost of borrowing, commercial operations experienced a modest loss in the second quarter and for the half-year their contribution was less than half of the equivalent period of 1979.

Earnings per 25p share for six months to June 30 are shown as 14p (9.3p) basic, and 13.6p (9p) diluted.

Tricentrol is a British international resource exploration and production company with wide ranging commercial activities.

● comment

Although Tricentrol's interim pre-tax figure is more than double last year's, second quarter earnings are down by a third on the first three months of the year. The cause of the shortfall was a pipeline breakage and repair delay on water injection equipment related to the all-important Thistle field. Strong sterling also cut into oil revenues. Tricentrol derives around three quarters of its profits from the North Sea, where it holds a 9.6 per cent stake in Thistle; and difficulty there has an immediate impact on group earnings. On the commercial side, there was a second quarter loss, but the company has not provided details. To complicate matters, interest charges are well up, partly because of recent acquisitions. The market was certainly taken by surprise yesterday since Tricentrol figures were not expected at this stage and the reason behind it is a large North American placing of shares, a controversial move which may be used for future acquisitions. No interim dividend has yet been announced, but the group's historic yield is 2.5 per cent.

Tesco tax relief challenged

THE Inland Revenue is challenging Tesco, the supermarket group's, claims for tax relief on two separate accounts, it is revealed in the annual report and accounts published yesterday. The company is resisting both challenges.

The Revenue is refusing to allow claims for group relief on an associated company's capital allowances worth £8.6m. At the same time there is a challenge on the stock relief front, where the Revenue argues that the launch of Operation Checkout in 1977 changed the nature of the group's trade and therefore reduced the amount of the rise in stocks to which relief is applicable.

Bassett plunges to £1.3m loss and passes final

AFTER a midway dive in pre-tax profits from £1.51m to £0.23m, George Bassett Holdings, confectionery manufacturer, has finished the year to March 31, 1980 with losses of £1.31m, compared with a surplus of £1.33m.

The final dividend is omitted because, the board says, all resources should be concentrated on the vital task of profit recovery, combined with a substantial reduction in bank borrowing. The interim payment of 1.63625p thus represents the total for the year, compared with 6.54123p in 1978-79.

A further 250 redundancies have been declared, in addition to those at the Uddington confectionery factory which is being phased out by mid-July.

Interest charges this time jumped from £621,000 to £1.22m, and the pre-tax loss is also struck after an exceptional debit of £260,000.

Despite an 8 per cent decrease in domestic sales throughout the industry, due largely to higher VAT, the sugar confectionery division produced reasonable trading profits, say the directors. It lifted turnover from £31.5m to £34m and stepped up its UK market share by 0.6 per cent.

The decline in UK sugar confectionery business had an adverse effect on subsidiary GDS Transport, which was almost totally geared to this trade, and which in turn added to the problems of the special foods, leisure and distribution division.

Losses are being stemmed by disposing of, or letting out, surplus warehouse space, disposing of surplus vehicles and reducing the workforce. Confectionery business is being replaced by the carriage of other goods normally distributed through the same channels.

The financial advantages gained by Paterson's Scottish Shortbread from the successful move of Purdy Cakes from Great Yarmouth to Livingston were offset by a general decline in the UK biscuit market in the final quarter.

In spite of a sharp fall in toys and games sales, Adam Imports and A.A. Hales contributed substantially to profits. Pied Piper Confectionery and Remus Play Kits were sold during the year for satisfactory prices.

The growing strength of the pound and the widening differential between UK and overseas rates of inflation led to increased losses in the export business. The costs of this side are being reduced by eliminating all small shipment business and the wide variety of special packaging involved.

Turnover of the group as a whole rose from £63.21m to £66.02m. After tax credits of £362,000 (£69,000) and minorities, the attributable loss emerges at £0.96m (£1.28m profit). Stated earnings per share are nil (10.59p earnings).

Overseas, further losses have arisen at De Faam through management problems and the malfunction of new equipment aimed at increased productivity. New management has been appointed and the machinery is now running satisfactorily, say the directors.

Rouger et Cie was badly hit by a compulsory price freeze in France, not lifted until January, combined with statutory index-linked pay awards.

Bassett Svenska AB of Sweden, Basset Confectionery GMBH of Germany and Barratts Sweets Pty, in Australia all operated profitably. The remaining unprofitable subsidiary in the U.S. is being closed down.

● comment

Catastrophic second half figures wiped 11p off Bassett's share price at 45p yesterday. After a modest first half profit, a steep fall in demand for sugar confectionery and hefty interest charges pushed the group heavily into the red for the full year. Volume was down in every division and there is no prospect of a significant recovery until the sugar confectionery market picks up—and there is little immediate chance of that. On top of the basic problem of demand, Bassett is exporting at a loss against a strong pound and yesterday's figures will have done nothing to help the borrowing picture. There is scope for some improvement on the non-confectionery side but together these divisions represent less than a quarter of sales. Bassett is not at present planning further closures and redundancies but, unless the present cost-pruning strategy produces a significant increase in margins it may have little choice.

Tensia purchase gives BP stake in Continental detergent market

BY RAY DAFTER, ENERGY EDITOR

British Petroleum is to buy the Belgian Tensia Group, one of Western Europe's major detergents manufacturers, for a sum believed to be between £25m and £35m.

The acquisition, part of a wider diversification strategy, will give BP an important stake in the growing Continental detergents market. It already has a significant share of the UK market following its takeover in 1978 of Robert McBride (Middleton).

Tensia, whose gross sales last year totalled some BFr 6bn (£93.7bn), is based in Liege with main production plants in Estaimpuis, Lembeek and Liege (Belgium), Zaandam (Holland) and Wuppertal (West Germany).

The company manufactures blends and packages — mainly for the private label market — a wide range of household and industrial detergents and allied products. Its main business is carried out through wholly-owned subsidiaries in Germany, Benelux, France, Italy and the UK, through associated companies in Switzerland and Spain, and agents and distributors in other parts of the world.

BP, which already has 1,300 subsidiary and associated companies, said yesterday that Tensia would continue to operate independently. Tensia was formed in 1950 and is owned 55 per cent by Groupe Industrielle et Financiere Mosane SA (Paribas), 27 per cent by Carbochemique SA and 18 per cent by UFI SA. Carbochemique and UFI are controlled by Societe Generale de Belgique.

In addition to manufacturing detergents, Tensia produces soaps, cleaning products, aerosols, softeners, toiletries, cosmetics and specialities. The Tensia group which consists of three main companies—Tensia (Belgium), August Luhn Seifenfabrik (West Germany) and Vetira-Romance (Holland)—employs some 1,600 people in Europe.

Within the £2.8bn-a-year Western European soaps and detergents market, Tensia is recognised as having a strong growth record over the past few years.

Talks are still continuing between BP and representatives of those with interests in Selection Trust, a leading mining finance house, as a prelude to who could prove to be one of the City's biggest take-over deals. BP, which made a bid approach in June, expects talks could continue for a few more weeks. If the negotiations are successful BP could enter a bid substantially in excess of £300m.

SERCK'S £1.64M AMERICAN BUY

Serck Limited has acquired the whole of the issued capital of Baker Filtration Company, of Huntington Beach, California, for a cash consideration of £1.64m.

Baker Filtration supplies water and wastewater treatment equipment to the oil industry, general industry and municipal projects.

The acquisition gives Serck, heat exchangers and valves, control equipment, vehicle exchange parts, etc., access to the American markets served by Baker and is another step in its strategy for expansion into higher technology areas.

In 1979, Baker Filtration earned profits before tax of £217,000 and had net assets of £936,000.

Burtonwood Brewery near £2.2m

AN ADVANCE from £0.99m to £1.05m in the second half enabled Burtonwood Brewery Company (Forshaws) to lift taxable profit from £1.96m to £2.17m for the year to March 31, 1980. Sales were £1.87m better at £14.6m.

At half-time, when profit improved to £1.08m (£879,239), the company warned that trading conditions indicated that overall growth may be difficult to maintain in the second six months.

Stated earnings for the year were ahead 3.6p to 27.6p per 25p share and the net total dividend is stepped up to 4.515p (3.888p) by a 2.82p final.

Net profit reached £1.19m (£1.05m) after tax up from £818,000 to £968,000.

Second-half setback as Rexmore falls to £0.89m

A DROP of £467,000 to £892,000 in pre-tax profits is reported by Rexmore, supplier and distributor of fabrics, for the year to March 31, 1980. At the halfway stage, pre-tax profits advanced from £701,012 to £786,469.

The full-time pre-tax figure was struck after an exceptional loss this time of £143,000.

After a £57,000 tax charge (£49,000 credit), extraordinary debits of £286,000 (£227,000), interest charges up from £438,000 to £1.02m, and dividends, which absorb £500,000 (£427,000), the retained profit came out at £43,000, compared with £747,000.

Stated earnings per 2½p share are down from 13.7p to 8.13p, and the final net dividend is effectively raised from 3.1352p to 3.451p for a total of 4.909p (adjusted 4.4063p).

Turnover for the year moved ahead from £38.18m to £39.85m.

● comment

Fabric supplier and distributor Rexmore made a 14 per cent profit gain at the trading level but then saw the improvement more than wiped out at the pre-tax level by high interest charges. All divisions of the company did well except the upholstery weaving division, which is fighting imports of dralon velvet, and made a loss for the year. The division has been reorganised and has new polypropylene products that the company hopes will do better. Rexmore anticipates a difficult year, however, and is concentrating on reducing stocks and borrowings. On a slightly increased dividend, the yield at 42p, unchanged yesterday, is a nervous 16 per cent and the p/e on stated earnings 4.7.

LONRHO

Proposals for amendment of the Trust Deeds constituting Lonrho's unsecured loan stocks have been sanctioned by holders of the stocks. The limit on group borrowings contained in the deeds has been brought substantially into line with the limit contained in the company's articles of association, and the stocks have been renamed 8½ per cent unsecured loan stock, 1980-1983, and 8½ per cent convertible unsecured loan stock, 1981-84.

SPAIN

July 1	Price %	+ or −
Banco Bilbao	216	
Banco Central	242	
Banco Exterior	208	
Banco Hispano	222	+14
Banco Ind Cat.	122	
Banco Madrid	147	
Banco Santander	272	
Banco Urquijo	150	
Banco Vizcaya	226	
Banco Zaragoza	202	
Dragados	78	+2
Espanola Zinc	58	
Fecsa	65.2	
Gal Preciados	26	+1
Hidrola	70	
Iberduero	66	
Petroleos	106.5	
Petroliber	92	
Sogefisa	107	
Telefonica	62	
Union Elect	64	

Shipping and engineering sides help boost Ropner to £4.4m

IMPROVED performances on the shipping and engineering sides enabled Ropner Holdings to lift profits before tax from £2.85m to £4.4m in the year ended March 31, 1980. Turnover expanded to £23.36m, against £14.97m.

Midterm profits moved ahead to £2.03m (£1.71m), and the directors expected full-time results would show a significant increase.

Profits of the shipping division advanced from £879,000 to £1.32m in the year, while engineering jumped to £2.71m (£1.63m). Property development contributed £626,000 (£313,000), but insurance broking slipped to £293,000 (£325,000). Investment income was lower at £250,000 (£420,000).

Interest charges increased from £717,000 to £803,000.

The total dividend is stepped up from 3.1959p to 4.5p, with a final of 2.5p. Stated earnings per 25p share are well ahead at 16.1p (9p). Tax takes £1.91m (£1.51m).

	Year 1980 £000	1979 £000
Turnover	23,360	14,968
Profit	4,315	2,654
Associates	85	198
Interest	803	717
Profit before tax	4,400	2,852
Tax	1,909	1,509
Net profit	2,491	1,353
Minorities	119	26
Extraord. debits	—	344
Available	2,372	983
Dividends	665	472
Retained	1,707	511

● comment

The national increase in defence spending has been a major boon for Ropner. Its engineering division, unaffected by last year's strike, hoisted earnings by two-thirds on the back of Navy contracts for communications and other electronic equipment. On the shipping side, 12 months from the new bulk carrier Appleby contributed an additional £200,000. Higher shipping rates also helped profits, as did the performance of the Stonepool, the group's only vessel on the spot market. Property earnings rounded off the improved picture as a rise in land values and timely completions doubled profits in this business. Ropner looks well placed to continue its profits growth this year, although property may not contribute as much as last time. On a total net dividend up 41 per cent, the yield of 7.5 per cent at 88p is quite reasonable and the multiple of 5.3 on stated earnings provides a reasonably cheap way into the defence industry.

English and Overseas suspended

DEALINGS IN the shares of English and Overseas Investments have been suspended at the directors' request following approaches by two parties which may lead to offers being made.

The group's interests cover publishing, wholesaling and retailing of fine art reproductions through its Athena subsidiaries, and making dry bulkers and equipment.

Mr. J. T. S. Bower, an executive director of Amex Bank, has resigned as a director of English and Overseas and its subsidiaries to avoid any conflict of interest which may arise from Amex Bank's continuing role as the group's merchant bankers.

The group has also reported a downturn from £549,123 to £435,919 in taxable profits for the year ended March 31, 1980. Turnover amounted to £8.91m (£7.69m).

Mr. Colin Jefferies, chairman, says the VAT increase and a slowdown in the tourist trade resulted in a shortfall in budgeted turnover and profits at Athena. The directors are purchasing a vigorous policy of stock reduction, designed to cut bank borrowings.

Results of the Metalair subsidiary were on target and profits were a record. However, there has been a reduction in the level of new orders since the year-end.

Overall, the directors consider the results satisfactory bearing in mind high interest rates and publishing side sales which started falling below budget in the second half of 1979.

The net total dividend is held at 0.875p, although the final is reduced to 0.4375p (0.485p). Stated earings per 10p share are down at 1.76p (3.94p).

Tax charge was substantially higher at £254,369, against £143,336p. Of this £52,000 related to a prior year's stock relief and the balance is now necessary because of the expected reduction in stocks.

LAWRIE PLANT

The Indianisation of a number of subsidiaries and a reduction in profits from Malawi and Bangladesh will substantially reduce overseas earnings of Lawrie Plantation Holdings for 1979, state the directors in their interim report. But this will be partially offset by increased investment and interest earnings in the UK.

The group's Indian earnings will be effectively excluded from the results following the sale of Jokai Tea Holdings in July, 1979, and the Indianisation of the Jhanzie, British Indian Tea, Dejoo and Harmutty subsidiaries.

Pre-tax profit for 1978 amounted to £5.79m.

Exceptional credit boosts Kenning Ests.

Taxable profits of Kennings Estates, subsidiary of Kenning Motor, rose in the half year to March 31, 1980, to £1.99m against £758,000 after an exceptional credit of £1.18m.

Turnover of the company, which owns and lets properties—mainly to the parent and other subsidiaries—increased from £882,000 to £901,000. Tax took £423,000 (£408,000).

Profit for the 1978-79 year was £1.81m (£1.4m).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Avana Group	3	—	2.35	5	3.5
Geo. Bassett Hldgs	nil	—	4.98	1.64	6.54
Burtonwood Brewery	2.82	—	2.39	4.52	3.89
Dom Holdings	3.73	Aug. 29	3.39	5.7	5.19
English & O'seas Inv.	0.44	—	0.49	0.88	0.88
I.C. Gas	13	Aug. 22	12	21	18.09
Marston Thompson	1	—	0.82*	1.63	1.25*
Prop. Holding Tst.	1.65	July 29	1.5*	2.8	2.5*
Rexmore	3.45	Oct. 2	3.14*	4.91	4.41*
Ropner	2.5	Aug. 22	2.01	4.5	3.2
SGB ...int.	2.3	Sept. 18	1.75*	—	4.58*
Winterbottom Inv. ...int.	3.5	Aug. 13	2.3	—	7.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

CORAL INDEX: Close 460-465 (—3)

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1979-80 High	Low	Company	Price	Change	Gross Div (p)	Yield %	P/E
99	59	Airsprung	61	—	6.7	11.0	3.6†
50	26	Armitage and Rhodes	30	—	3.8	12.7	2.0†
285	185	Bardon Hill	284	—	13.8	4.9	8.3†
100	76	County Cars 10.7% Pf.	76	—	15.3	20.1	—
101	63	Deborah Ord.	92	—	5.0	5.4	10.1
125	88	Frank Horsell	117	—	7.9	6.7	7.3
129	89	Frederick Parker	89	—	12.8	14.4	4.1†
156	99	George Blair	99	—	16.5	16.7	—†
81	45	Jackson Group	81	—	6.0	7.4	3.1†
153	103	James Burrough	113	—	7.9	7.0	9.3
300	242	Robert Jenkins	300	—	31.3	10.4	9.6†
232	175	Torday	220	—	15.1	6.9	3.7†
34	11½	Twinlock Ord.	15	—	—	—	—†
80	70	Twinlock 12% ULS	75	—	12.0	16.0	—
56	23	Unilock Holdings	47	—	2.6	5.5	10.0
50	45	Unilock Holdings New	48	—	—	—	9.8
99	42	Walter Alexander	93	—	4.4	4.7	6.2
218	136	W. S. Yeates	218	—	12.1	5.5	3.5†

† Accounts prepared under provisions of SSAP 15.

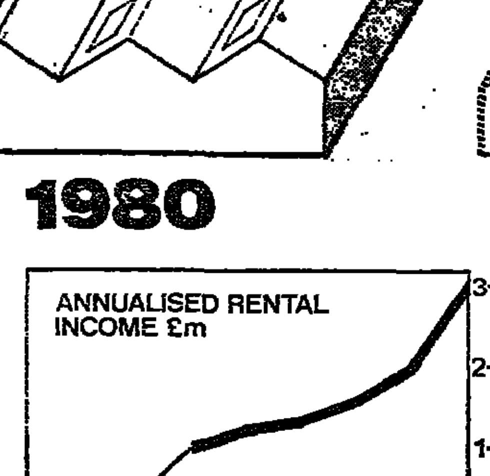
LCP You'll like the way we're letting business grow.

From a small beginning in 1960, two decades later the LCP Group's industrial lettings have risen to 2.5 million sq. feet of modern high quality buildings on well planned estates. A further 0.5 million sq. feet is scheduled or under construction. The momentum shows no sign of slackening.

From our original base on the Pensnett Trading Estate, we now own five estates with a total land holding in excess of 300 acres. Our investment property assets have grown from £0.6m to £37m and annualised rental income from £0.1m to £3.0m.

In the 20 years the LCP Group has been a publicly quoted company, we have expanded our interests into vehicle, autoparts and fuel distribution, construction, building materials, metal products and we now have six divisions, including one for our overseas operations.

LCP has come a long way in twenty years.



LCP Holdings Limited, Pensnett Trading Estate, Brierley Hill, West Midlands DY6 7LZ.

lcp You'll like the way we're growing

هكذا من الأصل

Avana passes £4m and raises dividend to 5p

With turnover up from £33.4m to £38.3m, taxable profits of Avana Group for the year to March 29, 1980, advanced from £3.52m to £4.15m.

Although half-year figures were only fractionally ahead at £1.58m, compared to £1.41m, the Board was confident that despite trading conditions becoming more difficult, results for the year would be better than last time.

The final dividend is raised from 2.35p to 3p net, which makes the total 5p, compared with 3.5p.

Tax took £585,005, against £436,718, and earnings per 5p share are given as 17.38p (15.03p).

The results of the cake manufacturer, baker and confectioner, which is a major supplier to Marks and Spencer, reflect product and method development together with heavy capital spending on new production lines.

The group has been able to cope with pressure brought about by fierce competition in the food manufacturing industry with an outstanding performance from its Fleur de Lys meat products subsidiary and the success of De L'ora fruit juice.

The current financial year has got off to a record start and the board forecast that interim results will underline progress in all divisions—with De L'ora leading the way.

Apart from reflecting profit growth, the dividend also reflects the group's future prospects.

● **comment**

It is a measure of Avana's success at making capital spending show fast returns that the group invested around 5 per cent of sales on fixed assets last year and finished up with £3m of cash in the bank. Income from these deposits flatters the pre-tax margin slightly (it has increased from 10.5 to 10.8 per cent) but the main reasons for the improved profits remain tight cost control, modernisation of plant, the introduction of new product lines and an insistence on realistic pricing. With retailers applying heavy pressure on manufacturing margins, Avana has again been forced to turn away business and the 14.6 per cent sales rise implies little if any volume growth. The company is optimistic about the current half, with meat pies and fruit juice continuing to do well, and over the longer term there are major potential benefits from Avana's entry into the coffee market. At 140p, the shares trade at 14 times fully-taxed earnings and yield only 4.2 per cent. That expects a lot but Avana has a strong balance sheet, and an impressive record. Furthermore, it is likely to pay a low level of mainstream corporation tax for the foreseeable future. The yield is 5.2 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—A. G. Barr, Blundell-Permoglaze, Granada.

Finals:—Caledonian Associated Cinemas, Hampton Gold Mining Areas, Sogomana, Symonds Engineering, Technology Investment Trust.

FUTURE DATES

Interims:—	
Alexanders Discount	July 21
Investors Capital Trust	July 8
NCR	July 9
National Westminster Bank	July 29
Finals:—	
Braithwaite Engineers	July 10
Distillers	July 17
Hollas	July 9
Hollis Bros. and ESA	July 17
Inchcape	July 28
Kinta Kellas Rubber Estates	July 10
Lennons	July 4
Moorgate Investments	July 9
Routledge and Kegan Paul	July 9
Thorn EMI	July 11
Wyndham Engineering	July 23

Yearlings move up

The interest rate on this week's issue of yearling bonds is 14⅜ per cent, up ⅛ per cent from last week. Issued at par, this week's yearlings are redeemable on July 8, 1981.

The issues are: Fife RC (£1m); Runneymede DC (£1m); City of Salford (£0.5m); City of Bristol (£1.5m); Kirkcaldy DC (£0.5m); Oxford City Council (£1m); Basingstoke and Deane BC (£1m); Colchester BC (£0.5m); New Forest DC (£0.75m); South Staffordshire DC (£0.25m).

South Northamptonshire DC is raising £0.5m by way of 14⅜ *per cent bonds, issued at par,* redeemable on June 30, 1982.

Appleyard pulling out of Glasgow

Appleyard Group of Companies, *the motor distributor,* has decided to make a phased withdrawal from Glasgow. The decision will involve the redundancy of about 200 staff.

In a statement yesterday Appleyard said that "strenuous efforts have been made to make Appleyard (Glasgow) profitable, but losses of £386,000 in 1978 and £549,000 in 1979 have been followed by a loss of £230,000 in the first quarter of 1980. With interest rates continuing at high levels, a falling total car market, and BL's reduced market share, there is no hope of returning the company to profitability in the foreseeable future."

Negotiations to sell the Rolls-Royce activities of Appleyard (Glasgow) are in progress and it is hoped that this will reduce the number of eventual redundancies. In addition, the separate small BL branch at Helensburgh will be sold as a going concern.

The group's Crow Road depot in Glasgow is already being offered for sale and in due course the Kirlee Road premises will also be placed on the market.

The group reaffirmed its intention to continue its other operations in Scotland based in Edinburgh, Renfrew and in Ayrshire.

Year-end advance at Dom

A RISE from £1.34m to £1.43m in pre-tax profits is reported by **Dom Holdings**, retailer and manufacturer of fixing products, for the year to March 31, 1980. Turnover advanced from £12.45m to £14.91m.

After tax down from £639,944 to £366,637, stated earnings per 10p share are 14.17p compared with 9.37p, and the final dividend is raised from 3.39359p to 3.732p for a total of 5.704p (5.186041p). Mr. D. O. McIntyre, the chairman, has waived 99.9 per cent of his final dividend entitlement and this amounts to £144,429.

Dividends absorb £220,604 (£148,360), leaving retained profits up from £554,580 to £841,818.

The company states *its* accounting policy for exchange differences arising on the translation of net assets of overseas subsidiaries has been charged. Such differences are now charged or credited to reserves. Figures have been restated accordingly.

Sales improve in UK for Spong

So far Spong and Co., hardware manufacturer and wireworker, has not been able to return to profitability, but sales of its kitchen products in the UK are nearly 20 per cent better than in the same period last year, says Mr. D. W. Spong, the new chairman in his annual report.

As known, the company reported a pre-tax loss of £287,296 during 1979, against a £10,985 profit previously.

Commenting on these figures, he says export sales continued their downward trend and finished 25.4 *per cent below those* for 1978. Despite the company's efforts to hold export prices, the strength of sterling and high inflation rates in the UK made its products uncompetitive in many markets.

He says it is not possible to foresee any improvement in export sales while these conditions prevail. There was subsidised competition from Czechoslovakia, East Germany and Poland.

The company has borrowed heavily to invest in plant and equipment and a new range of products to improve the future prospects, he adds.

But he says it would be foolhardy to do more than indicate the encouraging features that exist and reiterate its determination to minimise the drain on the company's resources.

He is hopeful that a rapid change in the economic climate will soon result in an improvement for its fortunes.

On a CCA basis, the historic pre-tax loss would increase to £333,966 (£61,594).

Meeting, Basildon, Essex, August 14, 11.30 am.

Repair costs leave PHT £1m lower

REFLECTING the cost of exceptional repairs to properties anticipated at the interim stage, pre-tax revenue of **Propeerty Holding and Investment Trust** fell from £2.24m to £1.25m in the year to March 31, 1980.

But the board says that existing resources are wholly capable of meeting the group's authorised commitments, bearing in mind the already announced intention to realise some less-important properties. They expect net income from properties to reach £5m in 1983 and anticipate recommending increased dividends.

This year's payment is effectively raised from 2.5p to 2.8p net with a final of 1.65p.

The exceptional repairs cost £1.22m (£168,000), leaving net property income £0.76m lower at £1.97m. The board is advised that claims for recoveries amounting to £0.76m are properly due, but no credit for recovery has been taken in the accounts since tenants are disputing their liability.

The pre-tax surplus includes other income of £407,000 (£392,000) and is struck after interest of £742,000 (£607,000) and expenses £381,000 (£275,000). Net revenue, after tax of £0.59m (£1.12m), fell from £1.13m to £663,000 and earnings to 1.78p (3.63p).

A revaluation of properties and interests in associated property companies at the year end has produced a surplus of £42.5m over the book value of £44.5m, lifting the net asset value by 24 per cent to 201p per share after adjustment for last year's two-for-one scrip issue.

The portfolio of GM Properties, acquired on November 30, 1979, was revalued at the year end at £8.86m, an increase of £1.66m over the valuation at September last year.

One major project was nearing completion at the year end and another will be finished and producing income by early 1981, say the directors. A substantial refurbishment will get under way shortly and other projects are being actively considered.

Attributable assets amounted to £33.42m (£31.28m), including investments at market value of £1.42m (£2.91m) and cash and short-term deposits of £0.78m (£1.11m).

MARSHALL CAVENDISH

Marshall Cavendish has successfully resisted an attempt by Singapore's Times Publishing to install two directors on its board. The Times move follows its "dawn raid" through stockbroker Rowe and Pitman last month, in which it bought up 27 per cent of the British company's shares.

Marshall Cavendish chairman Mr. George Amy, who declines to name the Times nominees, says the minority holding has had no effect on his group's trading, and he has had no indication that Times plans a full bid.

Glanfield Lawrence in loss

AN OVER supplied vehicle market and high money costs pushed Glanfield Lawrence, motor distributor and engineer, into loss for the first half of 1979-80. Also the directors warn that it is doubtful whether the company will make up for the setback over the rest of the year.

After bank and loan interest up from £115,000 to £153,000, the company fell from a £40,000 pre-tax profit into a £138,000 loss for the six months to March 31, 1980. Sales slipped from £5.21m to £4.82m.

The saturated market and money costs lead to considerable pressure to reduce stocks and profit margins became insufficient to cover establishment costs the directors explain.

In addition, two branches suffered severely in South Wales where trading conditions had been badly affected by the steel strike.

However, action has been taken which will lead to a cut in losses and reduce the company's commitment in that region.

Overall current trading conditions remain difficult, and the outlook for the remainder of the year is uncertain, the company adds. For 1978-79 profit was £156,000 (£71,000).

Net loss for the half year was £68,000, against a £17,000 surplus, after a tax credit of £70,000 (charge £23,000).

STEETLEY PURCHASE

*Steetley Minerals, a wholly-*owned subsidiary of the Steetley Company, has acquired **Thomas Hill-Jones**, of Stratford, East London, which had a turnover of £1.1m in its last financial year.

Thomas Hill-Jones processes and supply black minerals, mainly manganese ores and graphite.

W. Press reports on tax position

With a view to alleviating the uncertainty among shareholders of William Press and Son, and having taken advice, the up-to-date financial position regarding alleged tax offences is set out in the annual report, Mr. W. A. Hawken, chairman, says.

"Over the past two years, much has been said outside the company about the action taken by the Inland Revenue and the interminable delay in reaching a conclusion has caused a good deal of uncertainty to abound the company," Mr. Hawken states.

A note in the annual accounts says that the committal proceedings against the group in respect of alleged tax offences related to the past use of labour only subcontractors have been concluded.

"As a consequence the board is now aware of the case against the company and has received legal advice that the company should be vigorously defended against the charges made.

"Having taken advice," the note continues, "in these matters, the board considers that a reasonable provision for any liability relating to the past use of labour only subcontractors, together with tax claims raised on an overseas subsidiary's trading operations in Norway, other tax claims relating to employee payments and ancillary costs, would be £2m, which figure is arrived at after deducting the related corporation tax relief of £850,000.

"Accordingly, without admission, the amount of £2m has been charged in the profit and loss account for the year under review as an extraordinary item."

As shown, profits for 1979 amounted to £8.63m against £12.31m before tax and the extraordinary debit.

In his statement accompanying the accounts, Mr. W. A. Hawken, chairman, tells shareholders that while trading is buoyant in some activities, conditions in certain contracting operations are at present more competitive with opportunities not up to former levels.

However the group is more than maintaining its share of the available work.

The group's growth has followed closely the ever increasing demand for energy in the world but in addition, the group continually seeks to extend its business in allied work by means of suitable trade investments and acquisitions.

Cash resources, deposits and investments included a contract down payment of £5m and reached a particularly high level at the year-end of £18m.

It is unlikely that this figure will be maintained due to expenditure in gearing up some large contracts which got under way in the early part of 1980, the chairman says.

An ordinary resolution is set down for the annual meeting seeking the reappointment of Arthur Andersen as auditors.

William Press explains that Arthur Andersen were appointed auditors by the directors to serve as auditors of the company "to *fill the casual vacancy created by* the resignation on September 21 1979 of Tansley Witt."

Tansley Witt, a medium-sized accounting firm, split up into four parts last September, each part being taken over by other large accounting firms.

The largest part of Tansley Witt, the Southern and North West England partnerships joined Arthur Andersen.

The accounts also disclose that Colgay Holdings, a subsidiary of Sir Robert McAlpine and Sons (CTI) hold 6.67m ordinary shares being 3.579 per cent of the issued ordinary share capital of the company.

Meeting, Inn on the Park, Park Lane, W., July 31 at 11.30 am.

Brown Shipley uncertain on current year

LORD FARNHAM, chairman of **Brown Shipley Holdings** looks forward to the current year with mixed feelings but is confident that opportunities for good business will still be available.

A year with more favourable interest rates would be welcomed by the banking business while insurance broking would be encouraged by a year in which success overseas was not diminished by steeply rising exchange rates, the chairman adds.

Group profits for the year ended March 31, 1980 after providing for tax and a transfer to the inner reserve of the bank, amounted to £1.79m compared with £1.65m in 1979.

Banking profits showed no growth but direct and indirect activities overseas of the insurance side were the main *force in a very useful profit rise.*

The insurance companies in the U.S. and South Africa performed well but it was decided to close down the Australian operation, which has been transferred to another Australian insurance broking company in exchange for a small equity interest.

The Jamaican company has been merged with a comparable Jamaican broker and Brown Shipley now holds 46 per cent of the equity in the new company.

Meeting, Founders Court, Lothbury, EC, July 23 at 12.30 pm.

GEI INTERNATIONAL LIMITED

Tenth year of Record Profits

Specialist engineering group supplying wide range of industries

	1980	March	1979	
Turnover	£64·95m		£51.34m	up 26·5%
Pre-tax Profit	£6·82m		£6·16m	up 10·7%
Total net Dividend	5·315p		4·628p	up 14·9%

Chairman, Mr. Thomas Kenny, FCA reports:—

* Record profit achieved despite effects of 9-week engineering disruption and 13-week steel strike.
* Group exports increased 34% to £8·6m.
* Capital expenditure of £2·5m, mainly on new machinery.
* Financial condition continues to be excellent, with net cash and Government securities of £7·7m.
* Surplus of current assets over liabilities up by 42% to £21m.

GEI

Copies of the report and accounts are available from the Secretary

GEI International Ltd., West Street, Dunstable, Bedfordshire, LU6 1TA.

This announcement complies with the requirements of the Council of The Stock Exchange in London

LONRHO

International Finance N.V.

(Incorporated in the Netherlands Antilles with limited liability)

U.S. $40,000,000 12 per cent. Bonds 1988

Guaranteed by

LONRHO LIMITED

(Incorporated in England with limited liability)

ISSUE PRICE 100 per cent

The following have agreed to subscribe or procure subscribers for the Bonds:

STANDARD CHARTERED MERCHANT BANK LIMITED
BANQUE NATIONALE DE PARIS
BERLINER HANDELS – UND FRANKFURTER BANK
RICHARD DAUS & CO., BANKIERS
DG BANK Deutsche Genossenschaftsbank
SWISS BANK CORPORATION (OVERSEAS) LIMITED

The Council of The Stock Exchange in London has granted permission for the 40,000 Bonds of $1000 each constituting *the above issue to be admitted to the Official List, subject to the issue of the Bonds. Interest is payable annually on 15th* July, the first such payment being due on 15th July 1981.

Particulars of the Bonds are available from Extel Statistical Services Limited and copies may be obtained during usual business hours up to and including 16th July 1980, from:—

Carr Sebag & Co.,
(Brokers)
Windsor House, 5th Floor,
39 King Street, London EC2V 8BA

Standard Chartered
Merchant Bank Limited,
33/36 Gracechurch Street,
London EC3V 0AX

Notice of Adjustment of Conversion Price

ALASKA INTERSTATE COMPANY

(formerly ALASKA INTERSTATE INTERNATIONAL FINANCE CORPORATION)

6% Convertible Debentures Due 1987

Pursuant to Section 13.05 of the Indenture dated as of August 1, 1972 between Alaska Interstate International Finance Corporation and Bankers Trust Company, as Trustee, notice is hereby given that the previous conversion price of $44.50 of the 6% Convertible Debentures of Alaska Interstate International Finance Corporation has been adjusted in accordance with the provision of Section 13.04 of the aforesaid Indenture, and that such adjusted conversion price is $22.25 *effective as of the close of business on June* 6, 1980, the record date for the 100% stock dividend of Alaska Interstate Company.

ALASKA INTERSTATE COMPANY

Dated: June 30, 1980

THE NEW THROGMORTON TRUST LTD.

Capital Loan Stock Valuation—July 1st, 1980

The Net Asset Value per £1 of Capital Loan Stock is 252.66p calculated on Formula 1.

Securities valued at middle market prices

IBM

IBM Canada Limited

U.S. $50,000,000

10½% Debentures due July 1, 1985

Wood Gundy Limited — Morgan Guaranty Ltd — Salomon Brothers International

Algemene Bank Nederland N.V. — A. E. Ames & Co. Limited — Amsterdam-Rotterdam Bank N.V. — Banca Commerciale Italiana
Bank of America International Limited — The Bank of Bermuda Limited — Bank Leu International Ltd. — Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A. — Banque Française du Commerce Extérieur — Banque de l'Indochine et de Suez
Banque Nationale de Paris — Banque de Paris et des Pays-Bas — Barclays International Group — Baring Brothers & Co., Limited — Bergen Bank
Berliner Handels- und Frankfurter Bank — Caisse des Dépôts et Consignations — Chase Manhattan Limited — Chemical Bank International Limited
Christiania Bank og Kreditkasse — CIBC Limited — Citicorp International Group — Commerzbank Aktiengesellschaft — Copenhagen Handelsbank
County Bank Limited — Creditanstalt-Bankverein — Crédit Commercial de France — Crédit Lyonnais — Credit Suisse First Boston Limited
Den Danske Bank af 1871 Aktieselskab — Den norske Creditbank — Deutsche Bank Aktiengesellschaft — Dominion Securities Limited — Dresdner Bank Aktiengesellschaft
European Banking Company Limited — Goldman Sachs International Corp. — Greenshields Incorporated — Groupement des Banquiers Privés Genevois
Hambros Bank Limited — Hill Samuel & Co. Limited — IBJ International Limited — Jardine Fleming & Company Limited — Kidder, Peabody International Limited
Kleinwort, Benson Limited — Kredietbank N.V. — Kuwait International Investment Co. s.a.k. — Kuwait Investment Company (S.A.K.)
Lazard Brothers & Co., Limited — Lazard Frères et Cie. — Lloyds Bank International Limited — Manufacturers Hanover Limited
McLeod Young Weir International Limited — Merrill Lynch International & Co. — Samuel Montagu & Co. Limited — Morgan Grenfell & Co. Limited
Morgan Guaranty Pacific Ltd — Morgan Stanley International — Nesbitt, Thomson Limited — Orion Bank Limited — PKbanken Investments Ltd. — Privatbanken A/S
N. M. Rothschild & Sons Limited — The Royal Bank of Canada (London) Limited — Saudi International Bank Al-Bank Al-Saudi Al-Alami Limited — J. Henry Schroder Wagg & Co. Limited
Skandinaviska Enskilda Banken — Société Générale — Société Générale de Banque S.A. — Strauss, Turnbull & Co.
Svenska Handelsbanken — Swiss Bank Corporation (Overseas) Limited — Union Bank of Switzerland (Securities) Limited
S. G. Warburg & Co. Ltd. — Wardley Limited — Westdeutsche Landesbank Girozentrale

July 2, 1980

All of these Securities have been sold. This announcement appears as a matter of record only.

BIDS AND DEALS

BELGRAVE (BLACKHEATH) LIMITED

Manufacturers and Machinists of Engine Valves and Electrically Upset Forgings for the automotive, agricultural, mining and machine tool industries. Hot and cold forged-fasteners for all users.

Return to Profitability

Year ended	31.1.80 £	31.1.79 £
Turnover	3,815,321	3,858,281
Group Profit/(Loss) before Taxation	92,169	(55,310)
Profit/(Loss) Transferred to Reserves	19,212	(67,381)
Dividends per Share	1.5p	1.0p
Earnings per Share	2.1p	(1.2p)

Extracts from the Statement by the Chairman, Mr. C. H. Pittaway.

Results and Dividend

I am pleased to announce that the return to profitability forecast this time last year has been achieved despite the effect of strikes in the engineering, steel and transport industries and an unprecedented level of minimum lending rate. The profit for the Group was £92,000 (1978/9 loss £55,000). Belgrave Engineering is now in a position from which it can make a better contribution to the Group although, as I write, the engineering industry, especially the automotive and tractor sections which absorb much of our production, is feeling the recession very sharply. The Directors nevertheless feel able to recommend an increase in the ordinary dividend from 1p per share to 1.5p.

Belgrave Engineering Ltd.

Much of the reorganisation which I outlined in my statement last year is well advanced. The Engineering Company is now a separate operating unit with its own Board and has transformed a 1978/9 loss into a modest profit. All our steel is now stored and prepared in one place and our despatch and stores functions too have been unified. The finishing machines are already under one roof and management: and our forging operations will also be brought together. All concerned are taking advantage of these changes to reduce cost and working capital requirements with an effect on our overdraft which can be seen in the accounts, and in seeking new outlets for our products and services.

G. & A. Finney Ltd.

Finney has of course been a separate subsidiary for many years with its own Board. It has this year yet again increased its contribution to Group profits and I congratulate its Directors and Staff on this achievement.

Belgrave (Blackheath) Ltd.

The Board of the holding company is now free to concentrate on strategic issues and has an ongoing programme associated with planning, rationalisation, finance, property and the development of the Group's management.

Directors

I report with regret the resignation from the Board of Francis Durie Kerr who considers that time has arrived for his retirement. For many years, particularly when he was the only non-executive Director, he put forward the shareholders' point of view to the alternative industrial point of view of the executives. We shall greatly miss his attendance, help and encouragement at our meetings and wish him a long and happy retirement. The Board has elected Dr. I. D. Nussey as a non-executive Director; you will be asked to approve this appointment at the A.G.M. He brings experience in management techniques from his association with international companies and from his position on several government boards. We very much appreciate his attendance at Board meetings and the investigations he has carried out.

I would like to recognise all those who have supported the Company in another difficult year. It is a measure of the loyalty of our employees that, at a recent Group recognition dinner, no fewer than 40 gold watches were presented for long service. It is only through the efforts of these and all our other employees that we have been able to bring the Company back to profitability. I, and my fellow Directors, appreciate the support and co-operation that has come from all sides.

Prospects

The Company is in good heart and while the industries we supply and the short term economic climate do not seem particularly healthy, we are in good shape to remain competitive and profitable.

BELGRAVE WORKS • HALESOWEN • WEST MIDLANDS

SIMS goes to Britannia Arrow Hldgs. for £2.8m

BY TIM DICKSON

Britannia Arrow Holdings, the group formerly known as Slater Walker Securities, announced yesterday that it is paying £2.8m, for Schlesinger Investment Management Services (SIMS).

The merger between Schlesinger and Britannia Financial Services, Britannia's investment management division, will create an investment management group with total funds of more than £400m in unit trusts, pension fund, private client and institutional monies. The combined group expects to be the fifth largest unit trust operation in the UK.

The terms of the deal are that half the consideration for SIMS will be paid in cash, the rest by the issue of 5.6m ordinary Britannia Arrow shares. Of these 2.3m will be taken up by Mr. Peter Baker, Mr. V. Harris and Mr. F. Noyes, three SIMS directors who own roughly 20 per cent of the SIMS equity.

The rest of the newly created Britannia Arrow shares will be taken up by London Trust, already a major shareholder and now the holder of 17.65 per cent of Britannia Arrow's shares. Only last month London Trust expressed its keenness to increase its existing stake. As a result of this deal SEI Limited, the major stakeholder with roughly 80 per cent of the SIMS equity, will receive its share of the proceeds entirely in cash.

Net tangible assets of SIMS and its subsidiaries at March 31, 1980 were £393,000. Profits before tax in the year to the end of March, 1979 were £153,000 but in the year ending last March these had turned into losses of £39,000. SIMS funds currently under management total £150m.

"The benefits of the merger will come both from extending the product range and through areas where we can concentrate on putting things together. I think this will be in the interests of both sets of unitholders and of Britannia Arrow shareholders," Mr. Stuart Goldsmith, Britannia Arrow's investment director said last night.

Following completion of the deal the new group will have 38 authorised unit trusts under its control, as well as 16 unauthorised trusts managed from Jersey. There are no immediate plans to merge any of these funds, though Mr. Goldsmith acknowledges that in view of the many overlaps this is highly likely in the longer run. Unitholders, however, will be fully consulted, and in the meantime the Schlesinger and Britannia names will be retained to preserve the identity of funds.

The joining together of the two groups' forces in Jersey will create one of the biggest investment management groups operating in the Channel Islands.

As part of the deal Mr. Goldsmith and Mr. Alan Maldment, Britannia's managing director, will be joining the SIMS Board. Mr. Baker and Mr. Harris will be joining the Britannia Financial Services Board and Mr. Baker will be joining the Britannia Arrow Holdings Board.

The merger increases the capital employed in the Britannia Arrow group to around £30m and to about £8m in the investment management side. This now makes investment management comfortably the largest activity of the group.

Trident Life, the unit linked life assurance company recently sold by the Schlesinger Group to General Reinsurance Corporation of the U.S., but which still retains close investment links with Schlesinger, has welcomed the deal.

As Schlesinger admitted last night, the unit trust industry has been going through a lean time in the last 12 months. From Schlesinger's point of view the deal represents an arrangement which will provide greater security in the long run.

Doubts over bid for Revertex

The UK subsidiary of Hoechst, one of the "big three" West German chemical groups, is sceptical about Yule Catto's full £7m bid for Revertex Chemicals with which it has a joint venture.

"I am a little bit disappointed that Yule Catto bid before we had a chance to weigh it up," commented Mr. Norman Mischler, the chairman of Hoechst UK. "It came a bit sharply." Revertex has already come out against the bid.

Yule Catto, which already owns nearly 30 per cent of Revertex, last week said it was prepared to pay £5m to obtain the rest of the shares. The terms of its offer value the whole company at around £7m.

Hoechst and Revertex own a joint company, Harlow Chemical, which makes resins. Last year, its pre-tax profits fell steeply from £1.1m to £568,000 on turnover up from £13.9m to £16.7m. Revertex's own profits were £2.1m before tax against £2.5m.

Yule Catto and its merchant bank advisers, Morgan Grenfell, have already held talks with Hoechst's German management which is reserving its position until the bid's outcome is known.

Under the terms of the venture, Hoechst has the option to buy the rest of Harlow if control of Revertex changes hands, or to pull out altogether. Further talks are planned with the German and UK management after the formal offer document goes out next week.

"We don't see any synergy," said Mr. Mischler. "If the bid hadn't happened, we'd have been happier." Yule Catto is involved in Malaysian plantations, UK plastics and investment activities, while Revertex makes latex and other chemical compounds.

When stating its opposition to the bid, Revertex said Yule Catto did not seem aware of the contents of agreements between the company and its international partners.

If the bid succeeded, options could be exercised "to the serious detriment of the on-going business of Revertex and its employees," it added.

It said no substantive talks on these points had been held with Yule Catto despite Revertex's requests for a meeting. Yesterday, Mr. Kenneth Bushell, Revertex's managing director, declined any further comment.

The Yule Catto bid is conditional on no changes occurring in any business agreements to which Revertex is now a party. Other major shareholders in Revertex are Prudential Assurance with 5.3 per cent and Britannic Assurance, with 7.7 per cent.

STEETLEY/THOS. HILL-JONES

Steetley Company has acquired through its subsidiary Steetley Minerals the whole of the share capital of Thomas Hill-Jones of East London.

THJ, which had a turnover of £1.1m in its last financial year, process and supply black minerals — mainly manganese ores and graphite—which will compliment and expand the diverse range of speciality minerals supplied by Steetley.

LEX VEHICLE LEASING

Lex Service Group and Lombard North Central has reached agreement to convert Lex Vehicle Leasing previously a wholly-owned subsidiary of Lex Service Group, into a jointly owned company on a 50/50 basis.

Lombard North Central will subscribe £1m for new shares in Lex Vehicle Leasing, and Lex Service Group will also subscribe for new shares in order to bring its shareholding to the same level. As a result of the transaction Lex Vehicle Leasing will become an associated company rather than a subsidiary of Lex Service Group.

Management supervision of Lex Vehicle Leasing's operations will remain with Lex Service Group who will nominate the managing director. Terms and conditions of employment of the staff will not be affected.

Courage buys control of Happy Eater

Courage is increasing its interests in restaurants by acquiring a 52.7 per cent stake in Happy Eater.

The brewer is paying £605,000 for 220,000 new £1 Ordinary shares of Happy Eater, a family restaurant chain owned by Michael Pickard which will retain its present holding of 198,500 shares—*47.3 per cent of the new* equity of the company.

MPL is the private concern of Mr. Michael Pickard, who is also chairman of Grattan Warehouses, the quoted mail order group.

Courage, which has been expanding its restaurant activities in recent years, mainly through the Falstaff Taverns chain in the north and Chaucer Inns in the South-east, has agreed to provide additional financial facilities over the next four years to meet Happy Eater's plan to double the number of its restaurants during that period to 32.

Recent profits have been at the lower end of the range.

AUSTRALIAN STAKE SOLD BY NEI

Northern Engineering Industries has sold its 39 per cent stake in International Combustion Australia for approximately £8m cash. Combustion Engineering Inc., which holds 12 per cent of NEI's capital, bought 6 per cent of the shares, the rest being placed on the Australian market.

Northern's share of the earnings of ICA consolidated into its group profits for the year to December 31, 1979, was £1.3m. The company proposes to continue to expand its activities in Australia through its existing wholly-owned subsidiary NEI Engineering Pacific (Pty.).

MOWLEM U.S. ACQUISITION

John Mowlem, the UK construction group, has signed a conditional contract to acquire the capital of Soiltest of Illinois for \$9.4m (£4m).

Soiltest's business is the manufacture and distribution of testing and laboratory equipment for civil engineering and general construction, as well as the related technical education market.

Soiltest sales during the year to April 30 were \$13m, of which about half were exports.

The price consists of \$8m cash and \$1.4m promissory notes, payable over five years. A further \$1.1m in the form of a contingent note becomes payable over six years if certain levels of profit are achieved. Mowlem has made long-term arrangements for the financing of the acquisition.

The purchase consideration is based on tangible net assets of \$9.4m (including revaluation surpluses over book value of \$1.4m). Net profits before tax during the past five years have been between \$2.5 and \$0.6m.

More O'Ferrall expands in Belgium

More O'Ferrall, the outdoor advertising group, has agreed to buy Saga SA of Belgium for BFrs 12m (£181,818) plus an amount equal to the agreed after tax profits of Saga for the six months to June 1980. The acquisition is being made through a French subsidiary More O'Ferrall SA.

More O'Ferrall estimates that these profits will not total more than BFr 660,000 (£10,000). Saga is involved in outdoor advertising within Belgium and made profits last year of BFr 1.47m (£22,314). Its assets total BFr 1.52m.

Following the acquisition of Saga, More O'Ferrall will seek approval to double its *authorised* capital to £2m, and to make a one-for-one scrip issue.

Last year More O'Ferrall made profits before tax of £941,000 on sales of £11.53m. It already owns two subsidiaries in France and one in Belgium. These companies contributed sales of £3.77m and trading profits of around £230,000 in 1979.

C. T. BOWRING

The offer by Marsh and McLennan Companies Inc., insurance broker, for C. T. Bowring has been accepted in respect of 107,902,706 ordinary shares (97 per cent) and in respect of 189,287 preference shares (94.6 per cent). Offers now closed.

BOOKER McCONNELL

Booker McConnell announces that a majority of the public stockholders of International Basic Economy Corporation have now approved the plan of merger *between IBEC and the agricultural* interests of Booker.

WELLMAN BUYS WIGGLESWORTH

Wellman Engineering Corporation, thermal and mechanical engineer, is acquiring Frank Wigglesworth and Co., the power transmission subsidiary of Carclo, in a shares and cash deal.

The consideration will be payable by £4,000 cash and the issue by Wellman of 626,163 ordinary shares of 25p each. The shares will not rank for the final dividend in respect of the year *ended March 31, 1980* and have been placed with an institutional investor. The placing and the agreement are conditional on a listing for the shares being granted by the Stock Exchange Council.

Wigglesworth's range of couplings and drives is largely complementary to those of Wellman's subsidiary, the Wellman Bibby Company. It is anticipated that the combined companies will be able to win a greater share of the power transmission market.

The book value of the net assets of Wigglesworth being transferred amounted to £585,000 at March 31, 1980. The loss before tax for the year ended on that date was £55,000, compared with a profit of £110,000.

INSURANCE BROKERS ABANDON TALKS

Two of Lloyd's of London insurance brokers, Hartley Cooper Holdings and Benfield Lovick and Rees (Holdings), have abandoned merger talks. In a brief joint statement issued yesterday the group said they "have mutually agreed to terminate the friendly talks which have taken place."

DAWNAY DAY REORGANISATION

Dawnay Day Group, acquired by Hume Investment Trust earlier in the year, has been reorganised into three operating divisions.

These cover life assurance activities (Target Life), *unit trust management and financial* services (Target Trust Managers/Dawnay Day and Co.), and industrial interests (Dawnay Day Holdings). It is intended that the operating companies referred to will all become direct subsidiaries of Hume.

EUROPEAN OPTIONS EXCHANGE

Series		July Vol.	July Last	Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Stock
ABN C	F.300	—	—	4	5.50	—	—	F.289
AKZ C	22.50	—	—	25	2	10	2.80	F.23
AKZ C	F.25	4	0.10	54	0.70	42	1.90	"
AKZ C	F.27.50	—	—	12	0.40	—	—	"
AKZ P	F.22.50	—	—	84	0.80	[illegible]	1	"
AKZ P	F.25	—	—	96	2.30	[illegible]	—	"
EK C	$50	9	6⅛	—	—	—	—	$56
EK C	$60	—	—	10	1¾	—	—	"
HEI C	F.55	—	—	3	3.40	—	—	F.56.20
HEI C	F.60	—	—	15	1.90	[illegible]	[illegible]	"
HEI C	F.65	—	—	14	0.80	—	—	"
HEI P	F.55	—	—	3	2	[illegible]	[illegible]	"
HEI P	F.60	13	5	—	—	—	—	"
HO C	F.17.50	—	—	5	1	—	—	F.16.50
KLM C	F.60	10	1.20	28	3.20	—	—	F.57.80
KLM C	F.70	—	—	9	1.20	10	[illegible]	"
KLM P	F.60	38	3.30	28	5.70	10	7.50	"
KLM P	F.70	5	12.50	26	14	—	—	"
KLM P	F.80	60	22	—	—	—	—	"
NAT C	F.104.50	—	—	30	7.60	—	—	F.110.80
NAT C	F.109.10	6	1.60	—	—	—	—	"
NN C	F.110	—	—	17	4.20	—	—	"
NN C	F.120	—	—	10	1	10	[illegible]	"
PHI C	F.15	—	—	113	2.70	—	—	F.17.30
PHI C	F.17.50	—	—	110	0.90	2	[illegible]	"
PHI C	F.20	—	—	145	0.30	10	[illegible]	"
PHI P	F.17.50	21	0.50	3	0.80	295	[illegible]	"
PRD C	F.25	—	—	16	1¼	—	—	F.23
RD C	F.150	65	14	75	14.80	—	[illegible]	F.164
RD C	F.160	252	4.40	94	7.50	15	[illegible]	"
RD C	F.170	93	0.60	146	2.90	39	[illegible]	"
RD P	F.145	—	—	3	1.50	—	—	"
RD P	F.150	—	—	54	2.40	15	[illegible]	"
RD P	F.160	261	1.10	6	5.50	10	[illegible]	"
RD P	F.170	175	6.60	12	11	—	—	"
UNI C	F.115	—	—	38	5.30	—	—	F.116.60
UNI C	F.120	50	0.30	30	2	—	—	"
UNI P	F.115	5	0.90	23	2.80	—	—	"
XRX C	$50	—	—	1	5⅛	—	—	$53⅝
		Aug.		Nov.		Feb.		
BA C	$35	—	—	6	3	—	—	$35
BA C	$40	5	¼	—	—	—	—	"
BAS C	DM.140	5	3.40	—	—	—	—	[illegible]
MMW C	DM.120	—	—	20	8	—	—	[illegible]
MMW C	DM.130	10	2	—	—	—	—	"
SIE C	DM.270.50	10	7.50	—	—	—	—	[illegible]
SIE C	DM.280	15	3.20	—	—	—	—	"
SLB C	$110	30	8½	2	12⅛	—	—	[illegible]
SLB C	$120	—	—	2	6⅝	16	9⅛	"
		Sept.		Dec.		Mar.		
GM C	$45	20	3⅜	—	—	—	—	$46
GM C	$50	—	—	20	1⅞	—	—	"

TOTAL VOLUME IN CONTRACTS 3065

C=Call P=Put

A leader in communications for the Eighties.

IN EXTEL'S "FINANCIAL TAPE" THE BUSINESS WORLD FOLLOWS THE NEWS AND THEN CONFIRMS IT WITH THE "EXTEL CARDS". THE COMMUNICATIONS MEDIA AND THE RACING INDUSTRY RELY ON EXTEL FOR ACCURATE SPORTS NEWS AND RESULTS.

This text was typeset by Burrups, Extel's printing division, on its ultra-modern computer typesetting equipment. With outstanding quality, speed and service of printing, Burrups maintains its position as the nation's leading City printer.

Royds, Extel's advertising division, has a unique nationwide network of advertising agencies. As one of the largest British-owned advertising groups, it brings Extel an important and greatly expanded involvement in a vital area of communication.

EXTEL HAS MANY OTHER COMMUNICATIONS ACTIVITIES. TELEPHONE ANSWERING SERVICES, TELEPRINTERS AND THE EXCITING TELEVISION MEDIUM OF VIEWDATA ARE OTHER AREAS WHERE EXTEL IS A LEADER AND A GROWING FORCE.

Communication is the fastest growing business of today. Extel's experience and expertise in a whole range of communications media—printing; computerised information; the press; television and viewdata—have made it an acknowledged leader in its fields.

Its involvement is important in many different areas—in the world of sport and in the City with a wide variety of business and financial information. It plays a role in the marketing of products and services throughout the country. It offers large and small companies efficient telephone answering systems and supplies advanced teleprinter equipment.

Extel is growing and changing, increasing both the efficiency and the range of its services. Extel is keeping pace with the communications needs of a changing world.

These are Extel's results over the past three years.

	1980 £000	1979 £000	1978 £000
Turnover	72,061	24,734	22,269
Profit before taxation	3,108	2,559	2,061
Earnings per share	18.4p	16.8p	15.3p
Dividends per share	7.0p	6.0p	5.5p
Dividend cover	2.6	2.7	2.8

Subject to approval by Shareholders and Department of Trade consent the name of the company will be changed to EXTEL GROUP LIMITED.

SPORTING AND FINANCIAL NEWS
BUSINESS, STATISTICAL AND COMPUTERISED INFORMATION

ENGINEERING SERVICES
PRINTING

ADVERTISING AND PUBLIC RELATIONS
TELEPHONE COMMUNICATIONS SYSTEMS

Copies of the Report and Accounts may be obtained from: The Secretary, The Exchange Telegraph Company (Holdings) Limited, Extel House, East Harding Street, London EC4P 4HB.

Extel GROUP

Property Holding
& Investment Trust Limited

HIGHLIGHTS FROM THE STATEMENT OF THE CHAIRMAN, MR. ARTHUR JOHN, CBE., FCA.

Year to 31st March, 1980

- Net income from properties* £3.19m. (1979 £2.90m.).
- Dividend increased 10% to 2.80p. per share, equivalent with tax credit to 4.00p. (1979 3.635p.).
- Directors' Valuation of properties £87.0 million, £42.5 million above book value.
- Net assets per share 201p., 24% up on last year's 162p.
- 50% increase expected in net income from properties* by 1983.

*before exceptional repairs

Annual General Meeting Monday, 28th July, 1980

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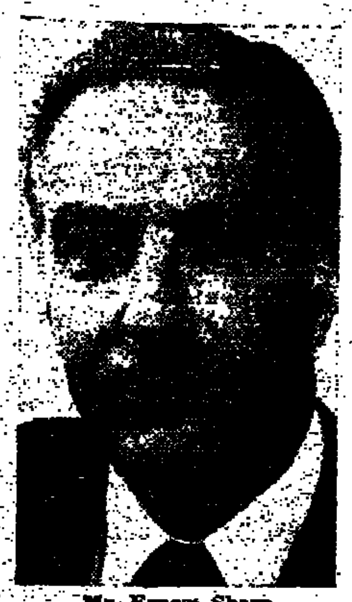
APPOINTMENTS

New chairman for Giltspur

Mr. Ernest H. Sharp is to become chairman of GILTSPUR after the annual meeting on July 25. He will succeed Mr. Maxwell Joseph, who is to relinquish the chairmanship to reduce his business commitments but will remain a non-executive director. Mr. Sharp has been a director since 1961.



Mr. Ernest Sharp

★

Mr. Michael J. Bentley has been appointed a director of SCHRODERS from July 1. He has also been made a director and joint vice-chairman of J. Henry Schroder Wagg and Company. Mr. John Govett and Mr. David Walters have joined the Board of J. Henry Schroder Wagg. New assistant directors of that concern are Mr. S. I. M. Brisby, Mr. R. F. Cheetham, Mr. M. Gwinnet, Mr. E. R. Jones, Mr. J. B. Lambert, Mrs. J. Pain and Mr. P. C. Robinson.

★

Mr. R. P. Maggs has been appointed a director of R. W. STURGE (MOTOR UNDERWRITING).

★

Mr. J. D. Banks has become general manager of DUNLOP SEMTEX in place of Dr. George Vaughan, who has left the company to take up another appointment within the Group.

★

Mr. David V. Bonsor, Mr. Peter L. Boulton and Mr. George D. Burnett have retired from the Board of COUTTS AND CO.

★

Mr. Donald A. Pocock has been appointed a director of the Metallurgical Plantmakers Federation, the British Metalworking Plant Makers' Association and the Ironmaking and Steelmaking Plant Contractors Association.

★

Mr. John McLeod has been appointed a director of HARRISONS MALAYSIAN ESTATES.

★

Mr. Ian H. Greenaway has been appointed chief executive of CHARTERHOUSE MANAGEMENT COURSES.

★

Mr. R. L. Owen has been appointed a director of BREMAR INTERNATIONAL and Bremar Holdings, its merchant banking subsidiary.

★

Mr. F. C. Rowbottom has resigned from the Board of F. W. WOOLWORTH AND CO.

★

Mr. Douglas G. Horner is to succeed Mr. A. Victor Adey as chairman of MERCANTILE CREDIT COMPANY on September 30. Mr. Horner will remain a director of Barclays Bank and a vice-chairman of Barclays Bank UK. Mr. Adey will continue as a director of Mercantile Credit and also a director of Barclays Bank International.

Mr. Douglas Horner

★

Mr. William K. Sharp has been appointed a director of METAPORT COMMODITIES.

★

Mr. T. W. Kirkbride has been appointed director and secretary of the CONCRETE SOCIETY from September 1. He takes over from Mr. A. B. Harman who is retiring early to set up a consultancy service.

★

IPC BUSINESS PRESS INFORMATION SERVICES has made the following appointments: Mr. Ray Haddrell, managing director, has become chairman in addition to his present responsibilities. Mr. Tony Tillin, at present assistant managing director, will be appointed managing director from January, 1981, when Mr. Haddrell will relinquish his appointment as managing director.

★

Mr. W. Simms, deputy chairman of FEDERATED INSURANCE COMPANY, retires at the end of this month. He will continue as a non-executive director and as chairman of the trustees of its pension fund. In addition, he is being retained as a consultant for certain interests in the UK of the company's parent, Allstate Insurance Company.

★

Mr. Robert Newman has been appointed to the newly-created post of treasurer at CONSOLIDATED GOLD FIELDS. For the last six years Mr. Newman has been the group treasurer of Amalgamated Metal Corporation and has also spent 20 years in various positions with the Midland Bank.

★

Mr. Neville Bowen has been appointed deputy chief executive of HILL SAMUEL LIFE AND INVESTMENT MANAGEMENT.

★

Mr. William W. Flanz and Mr. Robert D. Hunter have been appointed senior vice-presidents at CHASE MANHATTAN BANK. Mr. Flanz was recently made Chase area co-ordinator for the Middle East, operating out of Athens. At the same time, Mr. Hunter became area co-ordinator for Europe, based in London.

★

The Secretary for Energy has appointed Mr. James R. Cowan as a full-time member of the NATIONAL COAL BOARD to succeed Mr. G. C. Shephard, who has been responsible for industrial relations, when he retires on July 12. Mr. Cowan, at present area director of the Scottish Area of the NCB, has been a part-time member of the Board since February 1977.

★

Mr. J. E. Fletcher has been appointed chief manager, in charge of the loan syndication department at MIDLAND BANK INTERNATIONAL.

★

LAKE AND ELLIOTT is making the following changes within its steel division: From August 1 Mr. Peter Hughes will be moving to the National Steel Foundry (1914) at Leven Fife, where he will take over as managing director from Mr. David McLean who is seeking to reduce his responsibilities with the company. Mr. Hughes' place at Braintree as director and general manager of Lake and Elliot Founders and Engineers, will be filled by Mr. Jim Carn, at present technical director of Lake and Elliott steel division.

CONTRACTS

KTM wins £5m engine processing order

The special machine division of KTM of Brighton, has won a £5m order for the supply of a manufacturing system to process an advanced BL Cars' engine block. The unit and transfer machine system will process a range of engine blocks of varying configurations.

★

WINCOTT GALLIFORD, part of the Wolvey-based Galliford Brindley Group, has been awarded contracts worth almost £3.75m. The largest is for an industrial estate at Grafton Street, Northampton, for Copartnership (Tonnerlon) valued at £1.55m on a design and construct basis. Other awards include a factory and office block for Beaujersey at Beaumont Leys, Leicester, worth £705,000 and a finished products store for Karobes at Leamington Spa valued at £280,000.

★

A contract worth more than £790,000 has been finalised between WEATHERMAKER EQUIPMENT and Tesco, whereby the former will supply and install 55 air-to-air heat pumps in new Tesco stores throughout the UK.

★

The council housing committee of the London Borough of Brent has awarded a contract worth around £700,000 for lift modernisation to BENNIE. Twenty lifts are involved covering a number of Brent's housing estates. The work covers fitting new vandal resistant lift cars and doors in heavy gauge stainless steel, anti-vandal controls and lighting and rot-proof composition flooring.

★

TARMAC CONSTRUCTION of Stockton has been awarded a contract worth £340,500 for work on an advance factory of 1,800 sq metres (20,000 sq ft) for the Department of Industry at Park View Industrial Estate, Hartlepool, Cleveland. Work started on 16th June and the premises should be ready for occupation in February 1981.

★

AIRBORNE INDUSTRIES has signed a £251,868 contract with the Royal Thai Army for the installation and supply of a parachute training system using helium balloons.

★

SIGMUND PULSOMETER PROJECTS of Theale, near Reading, a member of the SPP Group, is to supply and install pumps, control equipment and ancillaries for a new pumping station included as part of a major reconstruction scheme for the Esholt sewage treatment works at Bradford, Yorkshire. The contract, valued at around £250,000, has been placed by the western division of the Yorkshire Water Authority.

At present, four separate inlet works serve the sewage treatment works but, in the new scheme, three of these inlet works will be abandoned. Instead, sewage flows will gravitate to the new pumping station from where they will be pumped to the main inlet works which is to be completely reconstructed under the scheme.

New PVC plant waits for an upturn

BY RHYS DAVID, NORTHERN CORRESPONDENT

AT NEWTON AYCLIFFE, near Darlington, the pipework, vessels and tanks of a brand new poly-vinyl chloride (PVC) plant stand out against the countryside of the North-East—a sign of hope for an area desperately in need of new investment.

At the same time the 45,000 tonnes a year plant, built by British Industrial Plastics, (BIP) part of Turner and Newall, the diversified industrial materials group, is also a reminder of the risks inherent in much of the spending now taking place in an uncertain UK economic climate.

The £18m plant has doubled the group's capacity in PVC, one of the most important plastic raw materials with uses ranging from bottles to Wellington boots and from telephone cases to chain link fencing. Yet only months after the plant was fully commissioned it is being run, together with the company's older units, at just 50 per cent capacity.

With customers destocking because of the current recession in demand and with PVC producers throughout Europe unable to offload their output, prices have been tumbling at a time when oil-based raw material costs have been rising. Three months ago when PVC prices were still over £450 a tonne the industry was stressing the need for significant price rises. Since then they have fallen by a further £50 and the feeling is that no-one in Europe can be making any money out of PVC at present.

BIP's decision to expand in PVC—where it is one of four UK producers alongside ICI, BP, and Vinatex — was prompted by the historically high growth rate in PVC demand, which has been rising at roughly three times that of UK gross domestic product over the past 15 years. Changing customer requirements have also played a part. Some PVC-using industries, such as cable manufacturing, have begun over recent years to buy in PVC resin and to make their own specialised compounds. This posed a particular threat to BIP which has traditionally been a supplier of specialised compounds rather than resin, and a net buyer of resin itself.

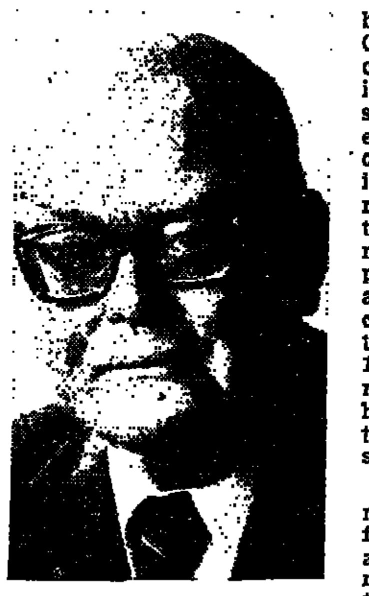
"Our main emphasis as a supplier will continue to be in compounds but we decided we needed to have a stronger presence in resin sales as well," Mr. Ron Hards, director of the PVC division points out. The company is now hoping for a 10 per cent share in the available market for resin sales. At the same time the increased capacity is also intended to help BIP meet Turner and Newall's expanding in-house needs for PVC. The group owns one of the leading UK PVC pipe-makers Extrudex, and since embarking on the Newton Aycliffe expansion it has acquired Storeys, a large tonnage user of PVC in calendered sheet manufacture.

Public expenditure cuts are affecting demand for PVC

Exactly when the new capacity will be required however, is now difficult to ascertain, and the position is further complicated by increases in capacity planned by both ICI and BP. BIP's view is that destocking is likely to level off in the third quarter, and the company points also to the pronounced four-five year cycle from which PVC suffers. There were major downturns in 1971 and 1975 and this year's big fall-off in consumption — to a total of probably around 300,000 tonnes — follows a year of strong growth last year when demand was about 350,000 tonnes.

Nevertheless, the problems this year look as though they could be more serious than in earlier recessions. UK public expenditure cuts are affecting demand for PVC from within the building industry and this effect is likely to be long-lasting. The high pressure water pipe market for example has dropped from 35,000 tonnes a year to 20,000 tonnes. UK cable manufacturers, traditionally very strong in export markets, are now facing increasingly tough competition from aggressive new suppliers in Japan, Korea and elsewhere. Other PVC-using industries are facing similar problems.

Imports from Europe of PVC resins have also risen substantially over the past year as a result of the strength of the pound and now hold some 25 per cent of the market. Even more important has been their effect on price, making it impossible for UK suppliers to raise theirs at a time when Continental prices have been slipping. There is the threat on the horizon, too, of an American push into the European market. U.S. producers, with the advantage of significantly lower oil-based raw material costs, have already increased their exports of other chemical products.



Mr. Stephen Gibbs, chairman of Turner and Newall, is sure the Newton Aycliffe plant will be a winner

Turner and Newall claims to be confident, however, that, in the words of Mr. Stephen Gibbs, its chairman, the Newton Aycliffe plant will turn out to be a winner. Unit costs have been kept down by extensive use of microprocessor control, and the plant—built to a design by the U.S. company B. F. Goodrich—has the advantage over older installations of meeting the highest health and safety standards. The process employed brings the quantities of vinyl chloride monomer—identified as a potential cancer risk in sufficiently high concentrations—released into the atmosphere down to below one part per million. The plant has also had to be designed to incorporate lessons learnt from the Flixborough explosion of 1974. To comply with new regulations the control room has been sited well away from the process equipment and in specially reinforced buildings.

BIP's involvement in a number of speciality markets for PVC compounds is also seen as a source of strength, for in many of these, though quantities are small, demand is relatively constant. BIP is, for example, the market leader in compounds for the medical equipment industry, and a leading supplier to PVC bottle manufacturers.

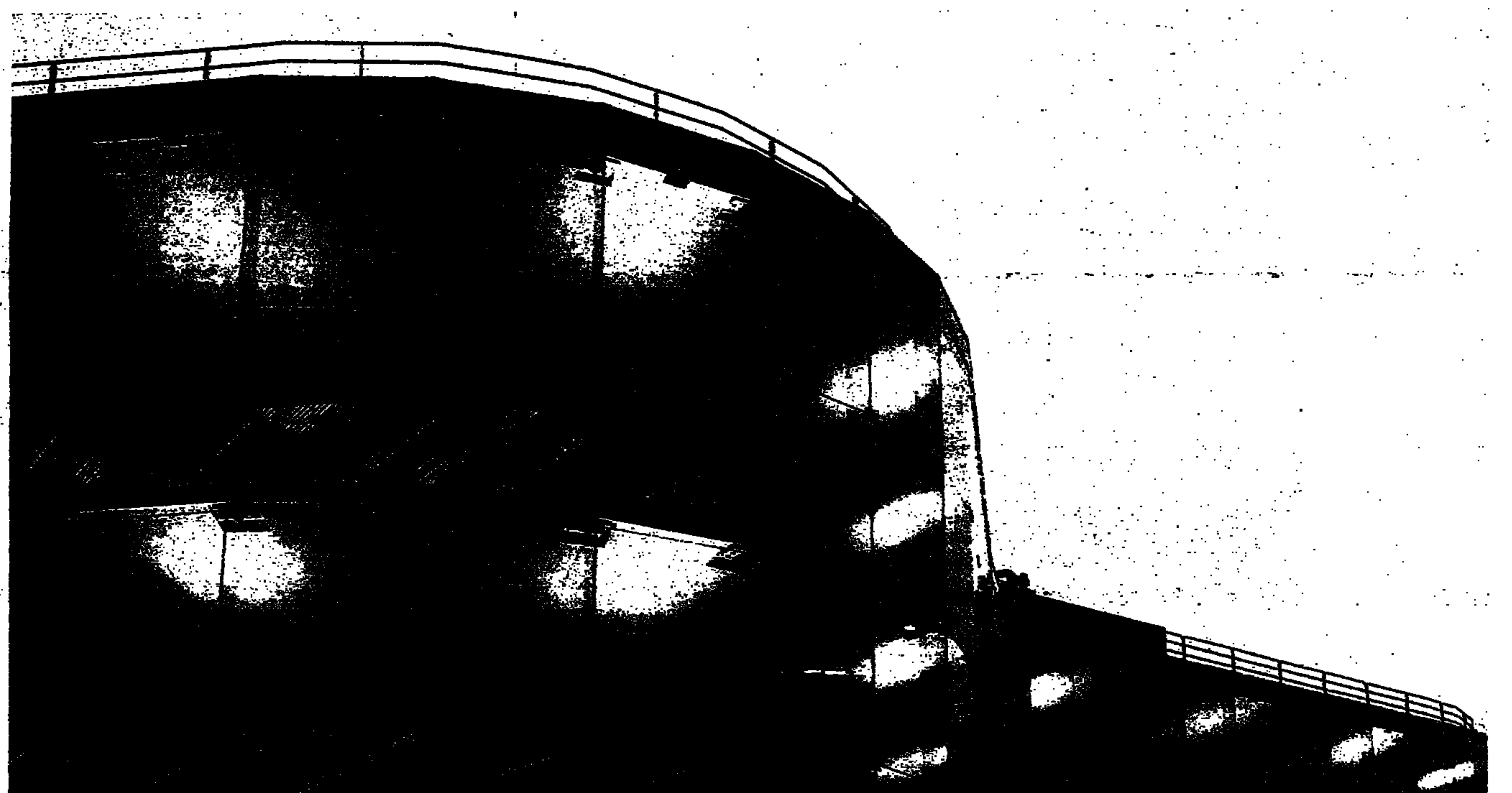
The company also has plans to participate in what could turn out to be a major new growth area for PVC: window frames and skirtings. About 120,000 tonnes of PVC will be used in these applications this year in Germany but so far because of the cost—twice the price of softwood—the product has only a toehold in the replacement market in the UK. PVC does have advantages, however, over other materials in terms of corrosion resistance and can be sawn and nailed like wood. BIP has now acquired the technical know-how to make compounds of the required quality from a major German group, Huels, and is expecting building companies in the UK to start investing in extrusion facilities for PVC frames over the next few years.

BIP's other advantage in a recession, Mr. Hards points out, is its ability—unlike integrated producers such as BP and ICI —to shop around for raw materials. The company has been taking advantage of sterling's strength to purchase its vinyl chloride monomer—the starting point for PVC—from two sources on the Continent. In turn BIP is planning to step up its own exports of PVC resin and compound from the present figure of 15 per cent.

PVC resin imports from Europe have risen substantially

For the time being, however, for BIP and other British PVC suppliers it is a question of hanging on in the hope that destocking will soon end and that not too many customers are wiped out by the rigours of life in the present economic climate. Major new investment projects, particularly over the past year, have not infrequently looked much less attractive commercially and economically when completed than when started.

PILKINGTON



The country head office of Willis, Faber & Dumas Limited. Architects: Foster Associates.

In the 1950s, our first full-scale float plant made unsaleable glass for 14 months: In each of those months, we spent over £450,000 at today's prices—tracing, analysing and solving problems. As everyone knows, perseverance—and investment—paid off in the end.

Today, the float glass process is licensed in 18 countries, and earns Britain over £30m a year in licensing revenue.

Throughout the world it has transformed the production of high quality flat glass for buildings and the automotive industry.

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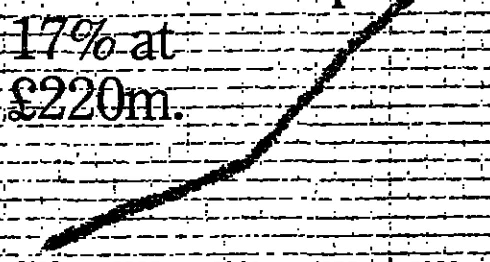
serves British agriculture and the food and drinks industry worldwide.

We produce malt, animal feed, food flavours, hop extracts, caramel, flour, pigs, seeds, vegetable oil and maize products.

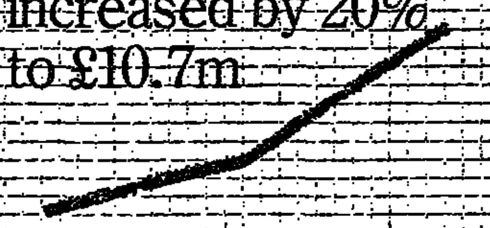
Last year, thanks to the goodwill of our 25,000 customers and the efforts of the 2,300 people who work in the Group . . .

sales were up 17% at £220m.



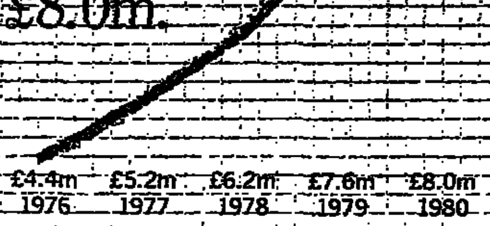
£112m £129m £144m £188m £220m
1976 1977 1978 1979 1980

trading profit increased by 20% to £10.7m



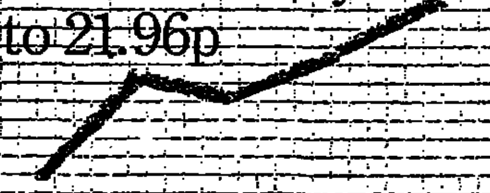
£5.6m £6.4m £7.0m £8.9m £10.7m
1976 1977 1978 1979 1980

and despite doubled interest charges **pre-tax profits** reached £8.0m.



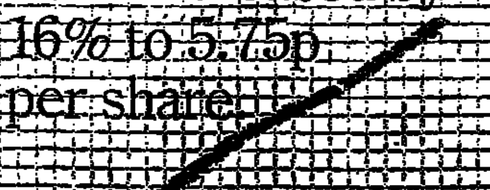
£4.4m £5.2m £6.2m £7.6m £8.0m
1976 1977 1978 1979 1980

earnings per share rose by 14% to 21.96p



13.11p 18.72p 17.02p 19.28p 21.96p
1976 1977 1978 1979 1980

and **dividends** were increased by 16% to 5.75p per share



3.06p 3.29p 4.29p 4.92p 5.75p
1976 1977 1978 1979 1980

Copies of the Report and Accounts can be obtained from: The Secretary, Pauls & Whites Limited, 47 Key Street, Ipswich, Suffolk.

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Companies and Markets

UK COMPANY NEWS

MINING NEWS

U.S. coal production stays below President's target

BY GEORGE MILLING-STANLEY

AMERICA'S NATIONAL Coal Association estimates that U.S. coal production in 1980 will rise by some 6 per cent over the 770m tonnes produced last year. The Association has raised its estimate to 815m tonnes, compared with the forecast of 800m tonnes made in February.

Exports this year are projected at 55m tonnes, up from last year's 45.6m tonnes. The Association expects electricity utilities in the U.S. to consume 560m tonnes, compared with 527.5m tonnes in 1979.

In a recent letter to President Jimmy Carter, the Association predicted an annual rate of increase in coal consumption of between 4 and 6 per cent up to 1985, which would bring total demand by that year to within the range of 880m tonnes to 1.08bn tonnes.

The letter warned that this was still below the target of raising coal consumption to 1.2bn tonnes per year by 1985 which the President set in his April, 1977, message on energy.

The letter, which accompanied the Association's third annual report on progress towards meeting the President's goal, pointed out that coal is currently supplying less than 20 per cent of energy needs in the U.S. This is far below its potential contribution.

The industry is in a position to mine about 100m tonnes more coal per year than is being used, because demand has grown more slowly than expected. This additional amount could reduce oil consumption by around 400m barrels per year, the Association said.

Mr. Carl E. Bagge, president of the Association, said in the letter that the nation has "reached a consensus on the need to increase coal use sharply, but a complex web of government policies and requirements is slowing the transition from other fuels." The report identifies problem areas and makes specific recommendations for changes.

"Action to reduce obstacles to an increased contribution from coal does not require abandoning environmental, health, safety or other goals or wholesale overhaul of laws and regulations," Mr. Bagge stressed. "Instead, we need to identify and adjust those requirements which are more stringent than necessary, which introduce unnecessary delays or costs, or which do not reflect the best balance among national objectives."

According to the World Energy Conference Survey in 1977, the U.S. has the largest proven recoverable coal reserves in the world with 218bn tonnes.

This represents 31 per cent of the total for the world, with the Soviet Union accounting for 23 per cent and China for a further 13 per cent.

Australia sees £9bn investment

AUSTRALIA is on the threshold of an era of major investment in mining. More than A$19bn (£9.3bn) is committed to new mining projects over the next few years according to figures released by the Federal Government, reports **Patricia Newby from Canberra.**

In addition, some A$9.6bn is earmarked for manufacturing projects. In all, 250 mining and manufacturing projects are now at the committed, or final feasibility stage. This is a substantial increase on last October's estimates of a total 126 projects accounting for A$16.3bn.

Mr. Philip Lynch, the Minister for Industry and Commerce, said the new figures illustrated the confidence of investors in the underlying strength of the Australian economy.

While the present downturn in the world economy would affect Australia, Mr. Lynch said the prospective surge in industrial development underlined the country's unique position compared with the rest of the western world.

Mr. Paul Keating, the opposition spokesman on minerals and energy while welcoming the expansion of the economy criticised Mr. Malcom Fraser's government fo rallowing what he described as "unhindered access" to Australian minerals and energy by foreign companies.

BHM SHARES RE-LISTED

The shares of Australia's **Broken Hill Metals** are to be re-listed on the Sydney Stock Exchange today after a 24-hour suspension, reports **James Forth in Sydney.**

The shares were suspended when Mr. Ron Mulock, the New South Wales Minister for Mineral Resources, issued a statement to the effect that the only company with rights to prospect for coal at Michell's Flat in the state was **Barix**, a subsidiary of **Pacific Copper Exploraion.**

BHM had reported that it had reached agreement with **Amoco Minerals** of the U.S. to explore in the area.

The directors have explained to the Exchange that they hold a private lease in the area, but they recognise that the New South Wales Coal Mining Act of 1973 requires that such a lease needs the authorisation of the Minister before prospecting is permitted. BHM is to seek this authorisation.

INTL. MINING AND GREENVALE IN SHALE DISPUTE

Australia's **International Mining Corporation** is in dispute with **Esperance Minerals** and **Greenvale Mining** over the ownership of the Alpha oil shale deposit in Queensland.

This is a separate deposit from the Nagoorin oil shale prospects in Queensland in which Esperance and Greenvale are joint venturers with **Central Pacific Minerals** and **Southern Pacific Petroleum.** It was the Nagoorin find which recently boosted the share price of Greenvale.

International Mining has published an independent survey which suggests that 28 to 38 per cent of the Alpha deposit lies beneath the company's prospecting authority and is seeking to have the matter put to independent arbitration.

The move follows reported claims by Esperance and Greenvale that 85 per cent of the Alpha deposit lies in their permit boundaries.

It is also reported that International Mining's geologist has encountered torbanite (oil shale) outcroppings outside the perimeters of the known deposit. These are to be drilled in an exploration programme starting this month.

Another Cooper Basin oil discovery

THE DULLINGARI Murta No. 1 wel in South Australia's Cooper Basin has flowed light oil at the rate of 750 barrels a day. It is the fifth well in the region, four of which are on the Dulingari structure, to yield oil, and all the flows have come from the jurassic age rocks.

The hunt for jurassic oil reservoirs has been gathering pace over the past year. It began with a chance discovery of oil *in 1978 in the Strzlechi No. 1* well.

Early experience with the jurassic had yielded water and the main target was the deeper permian age rocks, in which the gas fields which supply Sydney and Adelaide were found.

A second well, Dullingari North 1, found jurassic oil last year and the partners are now involved in an exploration programme to go back over the Dullingari field to find the extent of the reservoir.

The latest flow, through a half-inch choke with a surface flow pressure of 160 psi, enhances the prospect that Dullingari will prove a commercial field.

Inteersts in Dullingari are **Santos**, 50 per cent; **Delhi Petroleum**, 30 per cent; **Vamgas**, 10 per cent; and the **South Australian Oil and Gas Corporation**, 10 per cent.

Meanwhile the Conper Basin has proved a disappointment for the companies involved in the drilling of the Innamincka No. 3 exploration well, which also drilled through the jurassic zone which produced the Dullingari oil flows.

No hydrocarbons of commercial significance were encountered and the well has been plugged and abandoned, after reaching a depth of 9,340 feet. Delhi, Santos and Vamgas were participants in the well, as was Western Mining.

RESULTS AND ACCOUNTS IN BRIEF

ALPINE SOFT DRINKS—Results for year ended March 29, 1980, with prospects reported June 14. Total capital and reserves £4.34m (£4.14m). Short-term deposits £1.05m (£1.18m), cash £199,000 (£165,000). Meeting, *Birmingham, July 17, noon.*

AMBER INDUSTRIAL HOLDINGS (subsidiary of Caledonian Investments)—Results for year to March 31, 1980, already reported. Shareholders funds £1.24m (£1.11m). Net assets employed £2.71m (£1.58m). Meeting, Cayzer House, EC, July 21 at 2.30 pm.

ALLIED BREWERIES—Results for year to March 1, 1980, already reported. Breweries, factories, depots and farms, £454.5m (£368.5m). Licensed and other properties, £533.2m (£340.7m). Capital reserves, £482.6m (£207.5m). Revenue reserves, £167.7m (£161.2m). Loan capital and other borrowings, £365.3m (£299.8m). Chairman says group has made promising start to current year and is confident this good progress can be maintained. Meeting, 20, Aldermanbury, EC, July 22 at 2.30 pm.

GARTONS (agricultural seeds)—Loss for eight months £17,499 (profit £83,009 for year). After extraordinary items, tax and crediting surplus on sale of land, attributable profit £67,698 (loss £2,479). Turnover £236,297 (£707,537). Loss per 10p share 7.09p (earnings 3.44p). No dividend (same). Accounting period changed to December 31.

TRANSPARENT PAPER—Results for year to March 29, 1980, already reported. Shareholders' funds, £8.68m (£8.27m). Secured bank overdraft, £1.59m (nil). Debtors, £3.64m (£2.85m). Creditors, £3.52m (£3.2m). Meeting, Cafe Royal, W, July 29 at 12.30 pm.

WORMALDS WALKER AND ATKINSON (Woollen cloths manufacturer)—Results for 53 weeks to February 29, 1980, already reported. Shareholders' funds £1 17m (£1 22m). Loan capital £298,904 (£303,675). Cash and bank balances £965 (£1,341). Overdraft £302,956 (£339,397). Meeting, Wakefield Post House, Ossett, July 17, 11.30 am.

BRENT WALKER (leisure group)—Results for 1979 reported on June 13 in full preliminary report. Shareholders' funds £7 77m (£6 93m); bank overdrafts £457 083 (£1.05m). Vice-chairman says results for first few months of current year are encouraging. Board is still awaiting the go-ahead for marina which it proposes to build at Port Westcliff, Essex. Meeting, 23 Tower Place, EC, July 16, 4.30 pm.

COMFORT HOTELS—Results for 1979 already known. Shareholders' funds £15 63m (£12.92m). Secured loans £14.73m (£6.27m). Loans receivable £3.13m (nil). Cash £540,831 (£188,770). Overdrafts and short-term loans £3.98m (£10.35m). Chairman says there are substantial benefits to be obtained in *terms of profitability* through recent expansion as well as improvement schemes. These should begin to make themselves felt strongly in 1981. Meeting, Rainbow Suite, W, September 19, 10.30 am.

DAVENPORT KNITWEAR—Results for year to December 31, 1979, already announced. Shareholders' funds £2.91m (£2.18m). Cash and bank balances £75,552 (£54,301). Chairman says past year has been one of great difficulties which are still increasing. Major factor is increasing inflation which, coupled with marked propensity to import increasingly competitive goods, bodes ill for immediate future. Meeting, Leicester, August 15, 11.30 am.

READICUT INTERNATIONAL (rug kits and textile products)—Results for the year to March 31, 1980, reported May 20. CCA statement shows pre-tax profits at £1.16m (£6.45m). Capital expenditure commitments £0.87m (£2.03m), authorisations £1.22m (£3.47m). Group fixed assets £21.58m (£18.08m). Net current assets £23.8m (£23.5m). Meeting, Great Eastern Hotel, E.C., on July 24 at 12.30 pm.

GRIEVESON MANAGEMENT COMPANY—Third interim distribution on income units of Barrington High Yield Fund for the period September 27, 1979, to September 24, 1980, 4.125p net, payable August 10. Total distribution for the year to date 10.125p (9p).

EAST MIDLAND ALLIED PRESS—Results for year ended March 29, 1980, reported June 3. Shareholders' funds £11.65m (£8 34m). Historic pre-tax profit £3.3m (£2.1m), reduced to £2.4m (£3.2m) on CCA basis. Employees share scheme proposed. Meeting, Peterborough July 14, 2.45 pm.

UNITED ENGINEERING INDUSTRIES—Results for year ended January 31, 1980, reported May 16. Shareholders' funds £6 17m (£5 39m). Bank overdrafts £2 47m (£0.89m). Meeting, Manchester, July 10, noon.

WARREN PLANTATION HOLDINGS—Results for 1979, and prospects, reported May 30, in full preliminary statement. Shareholders' funds £17.35m (£16.47m). Long- and medium-term loans £1 15m (£1.25m). Cash at bank and on deposit £4.28m (£4 08m). Bank overdrafts and loans £2.63m (£3.68m). *Meeting, Howard Hotel, WC, July 14, noon.*

TOP PERFORMING GILT FUNDS

1ST & 2ND

Tyndall Gilt Fund Limited

Tyndall High Income Gilt Fund Limited

In a recent survey* of 27 offshore Gilt Funds the two Tyndall Group Gilt Funds were rated 1st and 2nd in terms of total return (capital growth plus income distributed). The survey was in respect of the period 30 November 1979 to 13 June 1980.

**Survey compiled by Le Masurier, James & Chinn, Stockbrokers, Jersey.*

Copies of the Reports and Accounts can be obtained from the following offices of the Tyndall Group:

Bristol: 18 Canynge Road, Bristol BS99 7UA. Tel: 0272 32241
Jersey: 2 New Street, St. Helier, Jersey. Tel: 0534 37331
Isle of Man: Victory House, Prospect Hill, Douglas, Isle of Man. Tel: 0624 24111
London: 26 Bedford Row, London, WC1R 4HE. Tel: 01-242 9367
Edinburgh: 24 Castle Street, Edinburgh, EH2 3HT. Tel: 031-225 1168

SGB

GROUP

Interim Report

HALF-YEAR PROFIT UP 25%

The unaudited Group Profit before tax for the half year amounted to £7.658,000 compared with £6,118,000 for the same period last year. Turnover was £66.5m compared with £55.9m last year.

The directors have announced an interim dividend of 2.3p per share which will be paid in full on 18th September 1980 to shareholders on the register on 22nd August, 1980

This compares with an interim dividend last year of 1.75p and is just half of the total dividend paid for 1979. Any further increase will be considered when the full year results are available.

The first half of the year has proved better than expected and this should ensure another record year, despite the fact that the second half is now clearly being affected by the current state of the economy.

N. L. CLIFFORD-JONES, Chairman, 1st July, 1980

Group Earnings	Half Year to March 1980 £'000	Half Year to March 1979 £'000	Year to Sept. 1979 £'000
Turnover	66,529	55,936	119,343
Profit before taxation	7,658	6,118	14,514
Profit after taxation	5,692	4,908	11,310
Interim dividend	939	699	1,842
Pence per share	2.3p	1.75p	4.58p
Earnings per share			
Basic	13.8p	12.1p	27.5p
Fully diluted	13.4p	11.5p	26.2p

Comparative figures have been adjusted to reflect the capitalisation issue.

Current cost profit before tax, prepared in accordance with SSAP 16, amounts to £5,660,000. (Historic £7,658,000).

SGB Group Limited
Mitcham, Surrey CR4 4TQ

Braby Leslie Ltd

Engineers

Year to 31st March	1980 £000	1979 £000
Turnover	31,740	31,630
Profit before Taxation	914	2,091
Taxation	194	512
	720	1,579
Extraordinary items	(64)	323
Net profit attributable to shareholders	656	1,902
"Gross" dividend per Ordinary Share	7.284p	7.284p
Earnings per Ordinary Share	7.1p	15.6p
Net tangible assets per Ordinary Share	89.8p	88.4p

In his statement, the Chairman, Mr. John Chandler, makes the following points:

The year 1979-80 was a difficult one for the Group, when a number of factors beyond its control occurred in the same period to the detriment of results. The engineering and steel strikes together cost over £400,000 in lost profit and a serious fire affected the Burnley premises of Economic Gas Appliances.

The strength of sterling and the continued instability of overseas markets affected Auto Diesels Braby but it maintained its share of the home generating set market and exports were 54% of turnover.

Braby Liverpool, after disruption during the engineering strike, continued full drum production during the steel strike until late March when stocks were exhausted. In consequence profit, although commendable in the circumstances, was substantially reduced.

The engineering strike and reduced demand affected the activities of Braby Bristol and Briggs. A major re-organisation made at Bristol will achieve a significant reduction in overheads. Briggs showed a substantial improvement later in the year and broke even in the last quarter. In the second half year 15% of Briggs' new orders was from non-brewery customers and almost 50% of orders for brewery plant was for overseas.

Four subsidiaries — Deeside Metal, George Leslie, E. C. Payter and Vega-Cantley — achieved record profit.

The Group's balance sheet remains very strong and bank facilities are adequate for foreseeable requirements.

On 1st April 1980 the total of order books in most subsidiaries was higher than a year ago, but, in some, the volume of incoming orders has subsequently dropped.

The Board's confidence in the future of the Group is fortified by its strong financial position and by the knowledge that it is well equipped with plant and personnel to meet any upturn in demand.

Copies of the Report and Accounts may be obtained from The Secretary, Braby Leslie Limited, Cowley Mill Road, Uxbridge, Middlesex UB8 2QG.

This advertisement complies with the requirements of the Council of The Stock Exchange.

Province of Nova Scotia
(Canada)

U.S. $50,000,000

10¾ per cent. Sinking Fund Debentures due 1990

McLeod Young Weir International Limited

Banque de Paris et des Pays-Bas | **Credit Suisse First Boston Limited**
Richardson Securities of Canada (U.K.) Limited | **Société Générale de Banque S.A.**
Union Bank of Switzerland (Securities) Limited | **S. G. Warburg & Co. Ltd.**

Westdeutsche Landesbank Girozentrale

The Debentures issued at 99½ per cent. have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of the temporary global Debenture.

Interest is payable annually on July 15, the first payment being made on July 15, 1981.

Particulars of the Debentures are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including July 16, 1980 from:

R. Nivison & Co.
25 Austin Friars
London, EC2N 2JB

July 2, 1980.

هكذا من الأصل

Good half for SGB but recession biting

BETTER THAN expected mid-year results are reported by SGB Group, with pre-tax profits rising from £6.12m to £7.66m for the six months to March 31, 1980, on turnover £10.59m ahead at £66.53m.

The directors say the improved performance should ensure another record year, despite the fact that the second half is now clearly being affected by the current state of the economy. The taxable surplus reached £14.51m for 1978-79.

On a CCA basis, half-time profits before tax of the group, which provides a range of products and services for industry and the consumer market, totalled £5.66m.

The interim dividend is effectively raised from 1.75p to 2.3p —last year's total was equivalent to 4.5833p. Midyear earnings per 25p share are given as 13.8p (12.1p).

Attributable profits came through up from £4.81m to £5.61m after tax of £1.97m (£1.21m), and minorities.

The pre-tax surplus was struck after interest of £1.67m (£1.25m).

● comment

Despite the obvious pressures on the construction industry, SGB should extend its recent strong track record into a fifth year. The traditional scaffolding activities have provided much of the 25 per cent pre-tax upturn at the interim stage and, if anything, are now proving somewhat more resilient than the other three divisions. HSS and, to a lesser extent, Youngman have already been hurt by the cutback in high street spending although plant hire is holding up reasonably well and open-cast coal contracting can be expected to make further progress. Over the longer term, SGB is looking to add a fifth leg to the business and the success of the diversification undertaken over the last few years suggests that the dependence of construction will be further reduced. For the near term, the second half plainly looks more difficult than the first although the group is still capable of around £16m pre-tax. At 160p, the fully taxed and diluted p/e of about 5 is taking an understandably cautious view of the industrial outlook. The shares, however, remain a firm hold.

Equity & Law launches overseas fund

Pension fund clients of Equity and Law Life Assurance Society are being offered the opportunity to invest in overseas stock markets with the launch of the Overseas Fund by its subsidiary Equity and Law (Managed Funds).

The new fund will enable pension scheme trustees to invest in overseas economies with attractive growth prospects, and in market sectors and industries which are not available in the UK stock markets.

The fund will be managed by Equity and Law's investment team, which has been investing in overseas markets for 25 years. At the end of 1979, the company held over £115m in overseas investments, of which about half related to the company's life and pensions operations in the Netherlands and Germany.

The major part of the overseas equity portfolio is invested in North America, where a return of 153.4 per cent has been obtained against a rise of 37.4 per cent in the Standard and Poor Composite Index.

Equity and Law (Managed Funds include a balanced fund, a mix of the various investments, which will hold units of the new fund, initially about 2 per cent of the portfolio, but rising to between 5 and 10 per cent.

KAMPONG LANJUT GOLD SEARCH

Kampong Lanjut Tin is currently engaged in reconnaissance drilling in areas totalling approximately 23,000 acres along the Sungai Sokor and the Sungai Galas in Ulu Kelantan, Malaysia. If prospecting results indicate a viable gold mining project, the company will participate to the extent of 20 per cent in a joint venture scheme with the Kelantan State Government and the Malaysia Mining Corporation to mine the identified areas.

A prospecting permit over 2,483 acres in the Sungai Sokor valley has been awarded to the company and another application for 7,920 acres along the Sungai Galas has been approved. Applications over the remaining areas are in an advanced stage of processing.

Results so far from the reconnaissance prospectives are wide ranging but generally consistent with the history of the region as a producer of gold from low grade alluvial deposits. Localised concentrations of gold in shallow alluvium have been identified which may have potential for small scale mining. However, it is too early to draw any positive conclusions. The current prospecting programme will be completed about mid-September and a further announcement will be made following the evaluation of results.

ASA BUYS MORE GOLD SHARES

Further purchases of South African gold shares in the three months to the end of May reduced the liquid assets of the Johannesburg-registered ASA to R12.76m (£7.05m) from R14.94m in the previous quarter.

ASA, a vehicle for U.S. investment in South African mining issues, reports that the value of total net assets held by the company at May 31, rose to R437.5m against R424.7m in the previous three months. It is added that the net asset value at June 9 equalled R45.69, or $58.49, per share.

The increase reflects some astute share dealing by ASA when one considers that during the period in question the FT Gold Mines index fell from 377.9 to 332.8, a decline of 45,1 or nearly 12 per cent, while total net assets rose by almost 3 per cent.

Marston Thompson at £5.5m

Taxable profits of brewer Marston, Thompson and Evershed continued to forge ahead after a £554,000 advance to £3.08m at midyear.

For the 12 months to March 31, 1980, the pre-tax surplus rose from £4.5m to £5.5m—an increase of 22 per cent. Turnover also showed a 14.4 per cent rise at £30.33m (£26.5m).

A final dividend of 1p is being paid, making a total of 1.625p net on capital increased by a one-for-one scrip issue, against an equivalent of 1.25p.

After tax of £2.08m (£1.88m) and extraordinary credits of £96,000 (£39,000) attributable profits were up from £2.65m to £3.51m. Earnings per 25p share are given as 6.68p (5.1p).

In volume terms, sales rose significantly more than the national average increase in beer sales, say the directors. The company's own locally-brewed beers, which represent 80 per cent of sales, did well.

Further gains were made in the free trade area, which now takes 28 per cent of the total sales.

During the year the company continued its modernisation and expansion programme, investing £3.27m in production, distribution and pub improvements. A high level of investment is planned for the current year.

Mr. Maurice Hurdle, chairman, says: "The results are very satisfactory since we have managed to outstrip inflation—if only by a small margin. They conclude a decade in which each year we have improved our position, doubling our pre-tax profits in the last five years alone.

"However, with rising unemployment there are bound to be question marks over the future, and we are already beginning to find some resistance to higher-priced products."

47 companies wound-up

COMPULSORY WINDING-UP orders against 47 companies were made by Mr. Justice Vinelott in the High Court. They were: Jeffs, Bishop and Partners, R. and N. Traders (Crops), JLHC, Auto Preservation Services (Bournemouth).

Park Ambassador, Stabletron, Welpre-tige, Zencrete, Williams and Lloyd, Jensen Carpets, Hardland.

Nassau and Hamilton Investment Company, T. G. Burns and Co., TAK Developments, Darcrest Contractors, Maydale Properties, European Poster Displays, J. Jorden (Transport).

Bradleys Castings, Rollcourt, Crayon Construction, Pharofix, Oakley Designs, Pearsons Records (Bradford), Polaglobe.

Inspirode, Hanlin Industrial Roofing and Construction, Arabin Timber, M. and L. Shuttering, Northney Yacht Marina, Rembrandt Plant Services.

Marshoak (Southern), Coastal Cycle and Holiday Radio (East), Batique International, Aphidamo Builders, Duncan's Food Brokers.

Norfolk Camion, Debaco Manufacturers, New Palace Theatre (Plymouth), Grillock, Lorry Mounted Tower Cranes, Tattons (Congleton).

Bryn Construction (Gilwern), P. J. Seal, Regency Dresses, Ribolane, G. H. Vincent and Sons.

A compulsory winding-up order made on June 23 against Geoffrey Winship was rescinded, and the petition adjourned for 21 days to allow readvertising in the company's new name of G. Entertainments.

Two orders made on June 16 were also rescinded. The petition against Structureseal was struck out, it already having been wound up at Leeds on March 24, and that against Thorpwise was dismissed by consent.

BASE LENDING RATES

A.B.N. Bank	17 %	■ Hambros Bank	17 %
Allied Irish Bank	17 %	■ Hill Samuel	§17 %
American Express Bk.	17 %	C. Hoare & Co.	†17 %
Amro Bank	17 %	Hongkong & Shanghai	17 %
Henry Ansbacher	17 %	Industrial Bk. of Scot.	17½%
A P Bank Ltd.	17 %	Keyser Ullmann	17 %
■ Arbuthnot Latham	17 %	Knowsley & Co. Ltd.	19 %
Associates Cap. Corp.	17 %	Langris Trust Ltd.	17 %
Banco de Bilbao	17 %	Lloyds Bank	17 %
Bank of Credit & Cmce.	17 %	Edward Manson & Co.	18 %
Bank of Cyprus	17 %	Midland Bank	17 %
Bank of N.S.W.	17 %	■ Samuel Montagu	17 %
Banque Belge Ltd.	17 %	■ Morgan Grenfell	17 %
Banque du Rhone et de la Tamise S.A.	17½%	National Westminster	17 %
Barclays Bank	17 %	Norwich General Trust	17 %
Bremar Holdings Ltd.	18 %	P. S. Refson & Co.	17 %
Brit. Bank of Mid East	17 %	Rossminster	17 %
■ Brown Shipley	17 %	Ryl. Bk. Canada (Ldn.)	17 %
Canada Perm't Trust	18 %	Schlesinger Limited	17 %
Cayzer Ltd.	17 %	E. S. Schwab	17 %
Cedar Holdings	17 %	Security Trust Co. Ltd.	18 %
■ Charterhouse Japhet	17 %	Standard Chartered	17 %
Choulartons	17 %	Trade Dev. Bank	17 %
C. E. Coates	17 %	Trustee Savings Bank	17 %
Consolidated Credits	17 %	Twentieth Century Bk.	17 %
Co-operative Bank	*17 %	United Bank of Kuwait	17 %
Corinthian Secs.	17 %	Whiteaway Laidlaw	17½%
The Cyprus Popular Bk.	17 %	Williams & Glyn's	17 %
Duncan Lawrie	17 %	Wintrust Secs. Ltd.	17 %
Eagil Trust	17 %	Yorkshire Bank	17 %
E. T. Trust Limited	17 %		
First Nat. Fin. Corp.	19½%		
First Nat. Secs. Ltd.	19 %		
Robert Fraser	17 %		
Antony Gibbs	17 %		
Greyhound Garanty	17 %		
Grindlays Bank	‡17 %		
■ Guinness Mahon	17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%. 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

Allied Irish Banks Limited

U.S.$60,000,000 Floating Rate Notes due 1987

With reference to the rate fixing notice published in the Financial Times on 1st July, 1980, the forthcoming Coupon Date should have read 2nd January, 1981.

Manufacturers Hanover Limited
Agent Bank

READY TO FACE THE 80's

WAAGNER-BIRÓ AKTIENGESELLSCHAFT

FULL ORDER BOOKS: AS 5,700,000,000

BALANCE SHEET as at 31 December 1979

ASSETS	ASm	LIABILITIES	ASm
1. FIXED ASSETS		1. SHARE CAPITAL	100
Tangible assets	268	2. RESERVES	102
Financial assets	64	3. PROVISION for EXP. RECEIV. (§123)	14
	332	4. PROVISION for SEVERANCE PAYMENTS and PENSION RESERVES	193
2. CURRENT ASSETS		5. SPECIAL PURPOSE RESERVES	675
Stocks and prepayments	1,547	6. ACCOUNTS PAYABLE	
Customer receivables	656	Payments on account	1,526
Available funds	74	Liabilities to suppliers	154
Other receivables	12	Short, medium and long term loans	84
	2,289	Other liabilities	168
			1,932
		7. PROFIT incl. profit b/f	5
	3,021		3,021

TURNOVER IN 1979: AS 2,446,000 M

DEVELOPMENT OF PER CAPITA TURNOVER
1977–AS 687,566
1978–AS 750,244
1979–AS 793,252

PROFIT and LOSS ACCOUNT for 1979

EXPENDITURE	ASm	EARNINGS	ASm
Personnel costs	872	Gross surplus	870
Depreciation	64	Interest received	92
Interest paid	67	Extraordinary income	98
Taxes and membership fees	45		
Transfer to provision for export receivables (§123)	7		
Profit incl. profit b/f	5		
	1,060		1,060

PRODUCTION RANGE:
THERMAL AND POWER ENGINEERING
STRUCTURAL STEEL WORK
INDUSTRIAL PLANT AND MECHANICAL ENGINEERING
ERECTION WORK

HEAD OFFICE:
STADLAUER STRASSE 54, VIENNA 1221
AUSTRIA

TEL.: (0222) 2244-0
TELEX: 134827 awbwa
TEL.: (0316) 51651
TELEX: 31316 wabig

This announcement appears as a matter of record only.

finmeccanica
società finanziaria meccanica

US $50,000,000
Three Year Floating Rate Loan

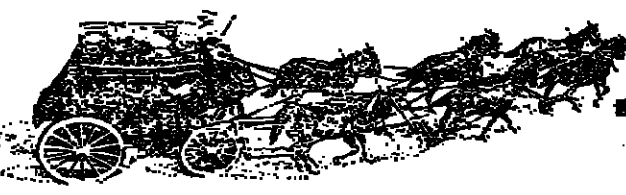
Arranged by
WELLS FARGO LIMITED

Managed by
Wells Fargo Limited
Atlantic International Bank Limited
Irving Trust Company
The Northern Trust Company
Banca Nazionale del Lavoro
First Pennsylvania Bank N.A.
Mellon Bank, N.A.
Seattle-First National Bank

Co-Managed by
Australia and New Zealand Banking Group Limited, Los Angeles Agency
Harris Trust and Savings Bank • Lloyds Bank California
The National Bank of Australasia Limited • Nordic American Banking Corporation
The Riggs National Bank of Washington, D.C. • United International Bank Limited (Privatbanken Group)

Provided by
Australia and New Zealand Banking Group Limited, Los Angeles Agency
Banca Nazionale del Lavoro, Los Angeles Branch • Banco Portugues do Atlantico, Cayman Islands Branch
Bank of India, San Francisco Agency • Bank of Scotland • First Pennsylvania Bank N.A.
Harris Trust and Savings Bank • Irving Trust Company • Lloyds Bank California
Mellon Bank, N.A. • The National Bank of Australasia Limited
New England Merchants National Bank • Nordic America Banking Corporation
The Northern Trust Company • Pittsburgh National Bank
The Riggs National Bank of Washington, D.C. • Seattle-First National Bank
Shawmut Bank of Boston, N.A. • United International Bank Limited • Wells Fargo Bank, N.A. (Privatbanken Group)

Agent
Wells Fargo Bank, N.A.



May 30, 1980

National Carbonising has a record year

Following the announcement of record profits for the year to March 31, 1980, the Chairman, Graham Ferguson Lacey, disclosed that Group Net Assets are now in excess of £25 million largely in the form of marketable investments and cash.

This represents over 200p per share.

The Group is poised for more direct involvement in the energy business.

Profit (1979 loss) attributable to Ordinary Stockholders for the Year to March 31: £7,549,000 (1979: £154,000).

Dividends: £344,000 (1979: £83,000).

If you are interested in knowing more about this company please send for our Report and Accounts.

To: The Chairman, National Carbonising Company Limited, 8 Buckingham Place, London SW1E 6HX.
Please send me a copy of your current R/A.

Name

Address

National Carbonising Company Limited

NCC

Esmark expects decline in earnings

ESMARK the diversified industrial group, expects earnings for the third quarter ending July 26 to be lower than in the comparable period, disclosed Mr. Donald Kelly in New York yesterday. On Friday, Esmark announced plans for a major *restructuring of the company.*

In its 1979 third quarter, Esmark earned $23.5m or $1.13 a share on revenues of $1.7bn.

Mr. Kelly said that if Esmark completes its previously-announced plan to buy back 50 per cent of its shares, fiscal 1981 earnings from continuing operations will be in the range of $7 to $10 a *share on the 11m* shares still outstanding.

Esmark had net earnings of $88.7m or $4.21 a share in fiscal 1979, ended October, based on 20.22m shares outstanding.

Mr. Kelly attributed the expected third quarter earnings decline to the recession, particularly its effect on consumer products.

He said it was apparent that the recession would "take an unhealthy bite out of earnings" midway through the fiscal third quarter.

Esmark expects a write-off of $300m before taxes, from the discontinuance and sale of its Swift fresh meats division, announced last week, said Mr. Kelly.

Esmark's planned offer of $80 cash and a $40 subordinated debenture for 50 per cent of its outstanding shares will be valued between $55 and $60 a share at the time of issue.

The company announced last week there are plans to make the tender offer after the sale of its Vickers Energy subsidiary, also announced last week.

He said that Esmark has no buyers on hand for Vickers.

He believes Esmark should seriously consider whether it should continue paying cash dividends.

However, he said Esmark's board has indicated it will continue the present dividend policy for now. He added "My wishes in this matter will not be very important."

Reuter

Revlon debentures

Revlon, the cosmetic manufacturer, has filed a registration statement for the proposed offering of $200m principal amount of 30 year sinking fund debentures, reports Reuter from New York.

McDermott to tender for major stake in Pullman

BY STEWART FLEMING IN NEW YORK

WALL STREET speculation that J. Ray McDermott, the oil rig contractor, might be interested in acquiring a major stake in the Pullman railroad car and engineering group was confirmed yesterday when McDermott announced a $56m offer for a little less than 20 per cent of Pullman's stock.

McDermott said that it intended to purchase through a tender offer up to 2m Pullman shares at $28 a share, to add to the 500,000 Pullman shares it has already purchased. Pullman has 11.1m shares outstanding, and if the tender is successful *McDermott will own 22.5 per cent* of Pullman's shares. Pullman said it had not been informed by McDermott of the tender proposal.

Pullman, a name famous in the rail car industry, has been experiencing hard times over the past two years, including heavy write-offs as a result of a decision to pull out of the manufacture of passenger rail cars. This decision, which has left that market in the U.S. largely in the hands of Budd and Company, a subsidiary of West Germany's Thyssen, has been criticised by some shareholders.

In addition, however, Pullman is thought to be facing further write-offs on an unfinished rail car contract for Amtrak, the U.S. publicly-operated passenger railroad.

Last year Pullman earned $47.9m on revenues of $3.2bn, down from $63.9m in the previous year on sales of $2.6bn.

Pullman's attractions, apart from a share price which has suffered as the company's woes have mounted, include its role as a major manufacturer of railroad freight cars (by some estimates the largest company in this market in the world). Demand for railroad freight cars in the U.S. is expected to be stimulated by increased coal production and the need to transport coal large distances from the western surface coal fields.

Pullman also controls one of the leading designers of process plant in the world, Pullman Kellogg.

J. Ray McDermott is a major producer of oil rig equipment and in 1978 acquired Babcock and Wilcox.

Gould to close financial unit

THE BOARD of Gould, electrical and electronic products maker, has approved a phaseout of the Gould Financial subsidiary over a period of 10 to 12 years.

The decision is part of a programme to begin re-allocating resources to manufacturing operations.

The company plans an orderly collection of the subsidiary's rentals and receivables, which total $196m.

The subsidiary's cash flow is more than sufficient to retire its $99m of debt in accordance with the terms prescribed by the board.

The investment in the subsidiary is $27.3m with $13.4m invested between January 1978 and May 1979 further affecting the company's debt situation.

The phaseout plan will increase cash flow by an estimated $79m and add about $20m of the subsidiary's deferred income to corporate profits during the 10- to 12-year timetable.

In the first five months of this year, Gould Financial had revenues of $9m and earnings of $2.5m including $1.2m of inter-company profits.

Gould said the original intention in forming the subsidiary was to support sales of the group's manufactured products. It added that Gould Financial did not meet expectations, with Gould-related business accounting for only 4 per cent of its new volume in 1979.

In 1979, Gould held profits steady at $3.78 a share, and expectations on Wall Street are that the current year will show little change. Sales of electronic and industrial products are likely to increase, although car batteries and housing-related products may begin to show signs of the recession in these two industries. Overall, however, results are expected to suffer the effects of higher wage, material, interest and other costs.

The longer-term outlook is for a continued rise in profits, aided by capital and research outlays and by further acquisitions.

Agencies

Cavenham offer brings in 2m Diamond shares

NEW YORK — Cavenham Development's hostile offer of $42 a share for Diamond International Corporation stock which ended last Thursday barely drew the 2m shares required to make the offer effective. *Cavenham indicated.*

Cavenham said yesterday that the Company had filed a statement with the Securities and Exchange Commission reporting that its total holding of the forest products company's stock following expiration of the offer was about 2.86m shares, or 23.9 per cent of the total outstanding. "That includes the interest we had before the offer," the company said.

The previous interest was 746,540 shares. Thus, the offer which Cavenham had stipulated would not be effective unless at least 2m shares were received, drew about 2.12m shares.

AP-DJ.

Basic Resources in Mobil deal

NEW YORK — Basic Resources International said it has signed a contract with Mobil Corporation for sale of all production it will export for the next three months.

Basic Resources, a Luxembourg company in which Sir James Goldsmith has an interest, has two oil fields and a pipeline in Guatamala. The company said the first cargo of 140,000 barrels under the sales agreement with Mobil was made last week.

Reuter

First Boston objects to credit rating cut

BOSTON—First National Boston Corporation, the bank holding company, has criticised Moody's Investor Service for downgrading the rating on its existing debt to double A from triple A. It said it expected higher second quarter and first half profits.

First National Boston said it was surprised by Moody's action. Moody's had rated its obligations triple A in March, 1978 and the corporation's performance had improved since that time.

The company said it expected its second quarter and first half earnings to set new records.

In 1979, the company earned $20.8m, or $1.69 per share, from operations in the second quarter and $40.8m, or $3.31 a share, in the first half.

First National Boston said that from the end of 1977 until the end of 1979 it increased operating earnings by a compounded annual rate of more than 33 per cent to $6.90 a share from $3.85.

It said its return on average assets during this period increased to 0.66 per cent from 0.48 per cent, the return on equity grew to 13.7 per cent from 8.7 per cent and the reserve for credit losses as a percentage of year-end loans and leases rose to 1.12 per cent from 1 per cent. Also, net credit losses to average loans and leases declined to 0.43 per cent from 0.60 per cent.

First National noted that Moody's questioned its level of non-performing assets. "In fact, those assets as a percentage of total assets dropped to 1.53 per cent from 2.74 per cent from 1977 to 1979," it said.

Reuter

GE reports $27m mobile CAT scanner sale

By David Lascelles in New York

IN ONE of the largest orders of its kind, General Electric (GE) confirmed yesterday that it had sold 30 mobile CAT medical scanners for about $27m. The deal was announced only days after GE got the go-ahead to buy Thorn EMI's CAT scanner business. Thorn EMI had decided to sell out because it could not make money on the equipment.

The purchaser is American *Medical International* (AMI), one of the U.S.'s largest hospital management companies whose interests include the Harley Street Clinic in London.

AMI said yesterday that it had developed mobile scanners to provide a cost-saving means of bringing this expensive diagnostic technique to a broader range of patients.

CAT scanners are normally stationary, which greatly reduces their potential use. But AMI expects to be able to serve 200 hospitals with the scanners when they are delivered in 1981. It described the deal as "the first step in providing mobile CAT scanner service nationwide."

Haulage group shows advance

By Our Financial Staff

ROADWAY EXPRESS, the U.S. freight haulage group, boosted net profits from $8.85m to $14.55m in its second quarter on revenues up by $30m to $261.9m. Per share earnings for the period were 74 cents against 43 cents.

For the six months to June 14 net profits came out at $26.39m against $18.61m previously. Revenues were ahead from $470.1m to $520.7m, and earnings per share were $1.43 compared with 91 cents.

VW drops U.S. engine plan

VOLKSWAGEN OF America said it had shelved all plans to build an engine plant in the U.S., reports AP-DJ from Southfield, Michigan.

In April the management board chairman of Volkswagenwerk, VW's West German parent said the company was considering the construction of a U.S. engine plant.

In response to questions a spokesman for the unit said the plans were not definite and the company now was not planning construction of any such facility. He said Volkswagen would continue to rely on its engine production facilities in Puebla, Mexico, to serve the U.S. market. That plant, as previously announced, is scheduled for expansion in 1982.

Bank tender pact delayed

WASHINGTON — Financial General Bankshares, the bank holding company, said it had temporarily delayed the date on which a group of Middle Eastern investors were to enter into a definitive agreement on making a tender offer for its common stock.

Reuter

INTERNATIONAL BONDS

Better tone in quiet market

BY FRANCIS GHILES

THE INTERNATIONAL BOND markets were very quiet yesterday both in the U.S. dollar and the D-Mark foreign sectors. In the dollar sector prices of fixed interest rate bonds slipped by ⅛ of a point, but trading remained thin.

The relative stabilisation of the market yesterday after Monday's shake-out was *prompted essentially by the* better tone in the New York domestic market.

In the Floating Rate Note sector, Bank of Tokyo (Curacao) Holding NV is offering a $50m seven-year FRN note which will be guaranteed by the parent bank through a group of banks led by Kuwait Investment Company. The interest rate will be pegged at ¼ per cent above the average of bid and offered rate for six-month Eurodollar deposits. There is no minimum coupon.

In the Deutsche Mark foreign bond sector prices of seasoned issues were a shade weaker for the second day running. By contrast, in the Swiss Franc sector, prices remained stable.

Two private placements have been completed in this sector. Arbed has arranged a SwFr 40m five-year private placement which carries a coupon of 6 per cent through Banca della Svizzera Italiana while Kloeckner Finance SA has arranged a SwFr 40m five-year one carrying a coupon of 6¼ per cent through Banca del Gottardo.

● Swiss Bank Corporation International, the London-based subsidiary of Swiss Bank Corporation, began operating under its own name as an investment bank yesterday. Until now the recently strengthened operations have been operating in the name of its parent. Secondary market trading in Eurobonds, which until now has been done out of Luxembourg, is expected to start later this year. SBC International has two managing directors: Mr. Andrew Large, who until the end of last year was at Orion Bank and who will reside in London, and Herr Werner Schick who will reside in Zurich.

Harris forecasts growth in turnover and income

THE COMMUNICATIONS equipment maker Harris Corporation expects net earnings this year of about $80m, or between $2.60 and $2.65 a share, said Dr. Joseph A. Boyd, the chairman.

Sales should increase by about 19 per cent to around $1.3bn.

In fiscal 1979, the company earned $68.8m or $2.32 a share, on sales of $1.08bn. It said that the comparable figures were restated for the acquisition of Farinon Corporation in February.

Earlier, the Board estimated that 1980 earnings would be around $2.80 a share, but said that if the Farinon deal was completed, it would adversely affect per share figures by between 15 and 20 per cent.

Mr. Boyd said new orders for fiscal 1980 will exceed $1.4bn and expects a backlog of around $900m at end June compared with $740m a year earlier.

He added that the company plans to increase its internal research and development budget by about 35 per cent in fiscal 1981. In 1980, this budget totalled about $57m, a 20 per cent increase from 1979.

"The company expects "first quarter results will be in line with our established growth pattern." This would be so primarily because of its sizeable backlogs, added Mr. Boyd.

The recession has caused a "moderate slowdown" in new orders in some product lines, commented Mr. Boyd.

For fiscal 1981, Wall Street analysts have already predicted a further rise in profits at Harris. Strong worldwide demand for electronic communications equipment (18 per cent of earnings in 1979) are foreseen. Particular strengths are likely to show in Government systems, two-way radio equipment and printing equipment.

International sales represent around 32 per cent of group total. Printing equipment, which takes in a broad range of web offset presses and bindery equipment, turns in about one third of earnings.

Agencies

Kaufman and Broad advances

By Our Financial Staff

KAUFMAN AND BROAD, the Los Angeles-based housing and life insurance group, saw operating profits surge from $3.16m to $4.89m on its second quarter on revenues only $15m higher at $122.4m. Earnings per share were 40 cents compared with 25 cents, excluding a 5 cent (same) tax credit.

However, problems in the housing market are expected to see Kaufman's net profits for the year fall short of the $1.17 a share earned in 1979. Indeed, Kaufman said that in the second quarter it suffered a pre-tax loss on housing operations because of higher interest rates, lower volumes for manufactured housing and reduced land sales. It has previously forecast a 10 per cent to 15 per cent rise in insurance earnings. In 1979 these were $22m against $14.8m from housing.

After six months operating profits were $8.42m ($5.75m previously) or 68 cents a share against 44 cents before an 11 per cent tax credit (5 cents in 1979).

NEW ISSUE

JUNE, 1980

All of these Bonds having been sold, this announcement appears as a matter of record only.

PEMEX

PETROLEOS MEXICANOS

(a Decentralized Public Agency of the United Mexican States)

U.S. $125,000,000

of which U.S. $100,000,000 is being issued as the Initial Tranche

11½ per cent. Bonds due 1988

Issue Price of the Initial Tranche 100 per cent. (adjusted for interest, if any)

Swiss Bank Corporation (Luxembourg) Limited — Merrill Lynch International & Co.

Citicorp International Group — Crédit Lyonnais

Credit Suisse First Boston Limited — Daiwa Europe N.V.

Deutsche Bank Aktiengesellschaft — Lloyds Bank International Limited

Manufacturers Hanover Limited — Société Générale

Société Générale de Banque S.A. — Westdeutsche Landesbank Girozentrale

International Mexican Bank Limited
—INTERMEX—

Abu Dhabi Investment Company — Alahli Bank of Kuwait (K.S.C.) — Algemene Bank Nederland N.V. — A. E. Ames & Co. Limited

Amsterdam-Rotterdam Bank N.V. — Bache Halsey Stuart Shields Inc. — Banca Commerciale Italiana — Banca del Gottardo

Banca Nazionale del Lavoro — Bank of America International Limited — Bank Julius Baer International Limited — Bank Heusser & Cie AG

Bank Leu International Ltd. — Bank Mees & Hope NV — Bank of Tokyo International Limited — Bankers Trust International Limited

Banco Nacional de México S.A. (Banamex) — Banque Arabe et Internationale d'Investissement (B.A.I.I.) — Banque Bruxelles Lambert S.A.

Banque Française du Commerce Extérieur — Banque Générale du Luxembourg S.A. — Banque de l'Indochine et de Suez

Banque Internationale à Luxembourg S.A. — Banque Nationale de Paris — Banque de Paris et des Pays-Bas

Banque Populaire Suisse S.A. Luxembourg — Banque de l'Union Européenne — Banque Worms — Barclays International Group

Baring Brothers & Co., Limited — Basle Securities Corporation — Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft

Bayerische Landesbank Girozentrale — Bayerische Vereinsbank Aktiengesellschaft — Berliner Handels- und Frankfurter Bank

Blyth Eastman Paine Webber International Limited — B.S.I. Underwriters Limited

Caisse des Dépôts et Consignations — Centrale Rabobank — Chase Manhattan Limited — Chemical Bank International Group

Commerzbank Aktiengesellschaft — Compagnie Monégasque de Banque — Continental Illinois Limited — County Bank Limited

Creditanstalt-Bankverein — Crédit Agricole — Crédit Commercial de France — Crédit Industriel d'Alsace et de Lorraine

Crédit Industriel et Commercial — Crédit du Nord — Credito Italiano — Deltec Trading Company Limited

Deutsche Girozentrale-Deutsche Kommunalbank- — DG BANK Deutsche Genossenschaftsbank — Dillon, Read Overseas Corporation

Dresdner Bank Aktiengesellschaft — Drexel Burnham Lambert Incorporated

Effectenbank-Warburg Aktiengesellschaft — European Banking Company Limited — First Chicago Limited — Robert Fleming & Co. Limited

Genossenschaftliche Zentralbank AG-Vienna — Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft

Goldman Sachs International Corp. — Groupement des Banquiers Privés Genevois — Hambros Bank Limited

Handelsbank N.W. (Overseas) Ltd. — Hessische Landesbank-Girozentrale- — Hill Samuel & Co. Limited

E. F. Hutton International Inc. — IBJ International Limited — Jardine Fleming & Co. Limited

Kidder, Peabody International Limited — Kleinwort, Benson Limited — Kredietbank N.V. — Kredietbank S.A. Luxembourgeoise

Kuhn Loeb Lehman Brothers International Inc. — Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

Kuwait International Investment Co. s.a.k. — Lazard Brothers & Co. Limited — Lazard Frères et Cie — LTCB International Limited

Mitsubishi Bank (Europe) S.A. — Samuel Montagu & Co. Limited — Morgan Grenfell & Co. Limited — Morgan Guaranty Ltd

Morgan Stanley International — National Bank of Abu Dhabi — Nederlandsche Middenstandsbank N.V. — Nederlandse Credietbank nv

The Nikko Securities Co. (Europe) Ltd. — Nomura Europe N.V. — Norddeutsche Landesbank Girozentrale — Nordic Bank Limited

Oesterreichische Laenderbank — Orion Bank Limited — Pierson, Heldring & Pierson N.V. — N. M. Rothschild & Sons Limited

Rothschild Bank AG — The Royal Bank of Canada (London) Limited — Salomon Brothers International

Sanwa Bank (Underwriters) Limited — Scandinavian Bank Limited — Schoeller & Co. Bankaktiengesellschaft

J. Henry Schroder Wagg & Co. Limited — Skandinaviska Enskilda Banken — S. V. Slavenburg's Bank

Smith Barney, Harris Upham & Co. Incorporated — Société Générale Alsacienne de Banque — Strauss, Turnbull & Co.

Sumitomo Finance International — Svenska Handelsbanken — Trinkaus & Burkhardt — Union Bank of Switzerland (Securities) Limited

Verband Schweizerischer Kantonalbanken — Vereins- und Westbank Aktiengesellschaft — J. Vontobel & Co. — S. G. Warburg & Co. Ltd.

Wardley Limited — Dean Witter Reynolds International — Wood Gundy Limited — Yamaichi International (Europe) Limited

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on July 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	50	92⅝	93⅛	+0⅛	−0⅛	11.30
Australian Res. 9⅝ 84	30	96⅛	96⅞	0	−0⅛	10.68
Beneficial Fin 9¾ 87...	100	91⅞	92⅜	+0⅛	−1½	11.46
Brit. Oxygen F. 10⅜ 90	50	95⅞	96⅜	−0⅛	−0⅛	11.41
CECA Cred. Rate 12 86	100	99⅛	99⅞	+0⅛	−0⅝	11.33
CECA 11⅝ 90	50	98⅝	99⅜	−0⅜	−1⅛	11.78
CECA 11½ 88	100	100	100½	−0⅝	−1⅜	11.44
Carter Hawley 9⅞ 86	50	92⅜	92⅞	−0⅜	−1⅛	11.52
Citicorp O/S Fin. 10 86	300	95½	96	0	0	11.00
Continental Grp 9⅝ 86	100	92⅜	93⅛	−0⅝	−1⅛	11.29
Denmark 11⅛ 90	100	99½	99⅞	−0⅜	−1⅛	11.83
Dome Petroleum 13½ 92	50	103½	103⅞	+0⅜	−1⅞	12.89
EEC 11 93	75	96¼	96⅞	−0⅝	−1⅛	11.49
EIB 11⅞ 99	80	98⅝	99⅛	−0⅛	−1	11.91
EIB 13½ 90	100	106	106½	−0⅛	−2	12.59
Elsportkrans 11⅛ 87	50	100	100½	−0⅛	−1	11.16
Elec. de France 10 88	125	95½	95⅞	+0⅛	+0⅛	10.67
Export Dv. Con. 9⅝ 84	150	96⅞	97⅜	0	−0⅜	10.62
Export Dv. Con. 12½ 87	100	105⅛	105⅝	+0⅛	−0⅞	11.56
Federal Dev. Bk. 12⅛ 85	75	103½	104	+0⅛	−1⅛	11.19
Finland, Rep. of 9½ 86	100	93½	93⅝	−0⅜	−0⅞	11.10
Ford O/S Fin 12⅝ 85	250	99½	100	0	−1⅛	12.67
George Weston 13½ 87	30	102	102½	+0⅛	−0⅛	12.97
GMAC 9⅛ 85	100	92⅝	93⅛	+0⅜	−1⅞	10.94
GMAC O/S Fin. 11 84	100	99⅝	100⅛	0	−0⅞	10.99
GMAC O/S Fin. 13⅜ 85	100	105½	105⅞	−0⅛	−1	11.81
Goodyear O/S 12½ 87	75	98⅜	98⅞	+0⅛	−0⅜	12.80
Hudson's Bay 11½ 90...	75	97⅝	98⅛	−0⅜	−0⅛	11.87
IBM Canada 10½ 85	60	99½	99⅞	−0½	−1	10.60
ICI Fin. Ned. 11 83	100	99⅞	100⅜	+0⅛	−0⅞	10.93
McGraw 13½ 85	75	101⅞	102⅜	−0⅜	−1⅛	12.89
Michelin 10 94	125	89½	90⅛	−0⅛	−2⅞	11.49
Nat Des Telecm. 9½ 86	100	94⅛	94⅝	+0⅛	−1⅛	10.79
Norwest Ind. 13⅝ 87	50	100⅞	101⅜	+0⅛	−0½	13.34
Pemex 11½ 88	100	97⅜	98⅛	+0⅛	+0⅛	11.90
Quebec Hydro 11½ 92	100	97½	98	−0½	−1⅛	11.86
Rowlease Ltd 11⅛ 85	50	100⅛	100⅝	0	−1⅜	11.11
SNCF 12⅜ 85	50	104	104½	−0⅛	−1⅝	11.18
Statoil 9⅝ 89	100	93⅛	93⅝	−0⅛	−1½	10.80
Swed. Ex. Cred. 12½ 85	40	103⅛	103⅝	−0⅛	−1⅛	11.49
Sweden 9⅞ 84	100	96⅞	97⅜	−0½	−0⅞	10.63
Warner-Lambert 9 84	100	94⅛	94⅝	−0⅜	−1⅛	10.76

Average price changes.. On day −0⅛ on week −1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Akzo 9 90	125	†102	102½	−0⅛	−1⅛	8.65
Asian Dev. Bank 10 90	200	108½	109	−0⅛	−0½	8.63
Australian 8⅜ 90	250	102	102⅜	+0⅛	0	7.76
BFCE 7⅜ 87	100	99	100	0	0	7.84
BFCE 8⅛ 95	100	99⅛	100	−0⅛	−0⅞	8.16
Brazil 8 87	150	93⅝	94⅛	+0⅛	0	9.24
CECA 7 91	150	92½	93	−0⅜	−0⅜	8.02
Council of Eur. 7¾ 89	100	94⅝	95⅛	0	−0½	8.10
Denmark 7⅞ 86	100	†97⅜	98⅛	−0⅛	−0⅛	8.26
Denmark 8⅜ 92	100	†98⅞	99⅞	0	−0½	8.33
EEC 7⅞ 94	225	98⅛	99	−0⅛	−0⅛	8.03
EIB 7½ 89	200	96⅜	97½	−0½	−0½	7.96
Finland Rep. of 8 86	150	99⅛	99⅞	+0⅛	0	8.09
Kobe, City of 7½ 89	150	96⅛	96⅝	−0⅛	+0⅛	7.68
Neder. Gasunie 8 86	100	102½	103½	+0⅛	+0⅛	7.43
Norway 7½ 85	250	99⅝	100½	0	0	7.48
OKB 7½ 89	100	95⅝	96⅛	0	0	8.04
Oslo, City of 8⅜ 90	80	102	102½	+0⅛	−0⅜	8.39
Sweden 9⅜ 87	200	†106½	107	0	−0⅜	8.39
World Bank 7¾ 91	400	97	97½	−0½	−0½	8.14
World Bank 7⅞ 90	250	98⅜	99⅛	0	−0⅛	8.06
World Bank 10 86	150	107	107½	−0½	−0⅞	8.37
World Bank 10 90	200	111	111⅜	−0⅛	0	8.26

Average price changes . On day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	95	95½	−0⅞	+2⅛	6.20
Aumar 5 89	60	†92	92½	+0⅛	−0⅛	6.15
Bergen, City of 4⅜ 91	40	95	95½	−1	0	5.33
Bergen, City of 6 90	50	†102½	103	−0⅛	0	5.63
BNDE 5 89	75	*†92½	93	+5½	+5	6.06
BMW Overseas 4¼ 91	100	92⅝	93½	−0⅛	+0⅞	5.09
Buhrm'n-Tetterode 7 90	40	105½	105⅞	−0⅛	+0⅛	6.22
Caisse Nat. Tele. 4⅜ 89	100	94	94½	−1	−1½	5.18
CCCE 5⅛ 90	100	102½	103	−0⅛	0	5.37
Copenhagen 4½ 91	60	91	91½	0	−0½	5.57
Council of Eur. 5 89	100	94⅜	94⅞	−0⅞	−1	5.77
EIB 4½ 91	100	92½	93	−0½	+1	5.39
EIB 4⅜ 94	100	87½	88	0	−0⅛	5.65
Elet. de France 4⅞ 89	100	95	95½	+0⅛	+0½	5.04
GZB 4⅛ 89	100	91⅝	92⅛	−0⅜	+0⅛	5.36
Hilti 4½ 91	35	94	94½	0	−0½	4.92
Int.-Amer. Dev. 4½ 89	100	92	92½	0	0	5.61
Int.-Amer. Dev. 7 90	80	106	106½	−0⅛	−0⅛	6.13
Jutland Tele. 5½ 90	50	†100⅜	101⅛	+0⅛	+0⅛	5.36
Malaysia 5 89	80	90⅛	90⅝	0	−0⅛	6.40
Nippon Tel & T. 4⅜ 89	100	94⅞	95⅜	−0⅛	−0½	4.92
Nordic Bank 5 89	45	95⅛	96	−0½	−1⅛	5.63
Norges Komm. 4⅞ 91	100	92	93	−0⅛	−1	5.27
OKB 4⅛ 91	100	90⅝	91⅞	+0⅛	+0½	5.46
OKB 6 90	100	†103⅜	104⅛	−0⅛	−0⅛	5.46
Oslo, City of 4⅝ 91	100	†90	90½	0	+0⅛	5.56
Shikoku El. Pwr. 4⅜ 89	100	†98	98½	+0½	+1⅛	5.28
Voest-Alpine 4⅜ 89	90	96	96½	−0⅛	−0⅛	5.29
World Bank 4⅝ 89	100	95⅝	96⅛	+0⅛	+1½	5.19
World Bank 4⅜ 89	150	91⅞	92⅛	−0⅛	−0⅛	5.50
World Bank 4⅝ 91	100	93	93½	−0⅛	0	5.43

Average price changes... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	92⅞	93⅜	+0⅛	+0⅛	8.18
Australia 6½ 88	20	88⅛	89⅜	−0½	−0½	8.47
EIB 7⅜ 89	12	96	97½	+0⅛	+0⅞	8.26
Finland 5.6 83	10	91⅞	92⅛	+0⅛	−0⅛	8.56
Finland 6.8 88	10	89⅝	90⅛	−0⅜	−0½	8.70
Finland, Rep. of 8⅜ 87	15	97⅞	98⅜	0	0	8.74

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅛ 86 C$	60	95⅜	95⅞	−1⅛	−1	11.75
CIBC 13½ 85 C$	50	103⅝	104⅛	−0½	−1⅛	12.37
Cr. Foncier 10⅞ 84 C$	30	†92	93	−0⅛	0	12.76
Fst. Can. Inv. 10 84 C$	50	94	94½	−0⅜	−0⅝	11.92
GMAC 12 85 C$	50	†99	99½	0	0	12.20
Quebec 10⅛ 86 C$	50	92	93	−0⅛	−1	11.87
R. Bk. Canada 10 84 C$	40	94	94½	−0⅛	0	11.38
R. Bk. Canada 10 94 C$	10	87⅜	88⅛	−0⅛	−0⅛	11.79
Tordom Cpn. 13½ 85 C$	30	103⅜	104⅛	−0½	−0⅜	12.33
M. Bk. Dnmk. 3 91 EUA	25	94	95⅛	−0½	−0⅛	9.79
SOFTE 8⅛ 89 EUA	40	85⅞	87½	−0½	−0½	10.61
U. Bk. Nrwy. 9½ 90 EUA	15	97⅜	98	0	0	9.75
Algemene Bk. 8⅛ 84 Fl	75	96½	97	0	−0⅛	9.20
Ned. Gasunie 8⅜ 84 Fl	50	99⅝	100⅛	0	−0⅛	8.75
Ned. Middbk. 8⅜ 84 Fl	75	95⅜	96⅛	0	−0⅛	9.55
Norway 8⅛ 84 Fl	100	97	97½	0	−0⅛	9.13
Norway 8⅛ 84 Fl	100	97⅞	97⅜	0	−0½	8.96
Philips Lamps 8⅛ 84 Fl	75	97⅛	97⅜	+0⅛	−0⅜	9.06
Air France 11 84 FFr	120	95	96⅛	0	+0½	12.37
CECA 14⅛ 86 FFr	150	104⅜	106	−0⅛	−0⅛	12.83
Euratom 9⅝ 87 FFr	150	84⅞	86⅛	+0⅛	+0⅛	13.05
Finland 11 84 FFr	80	94⅛	95½	+0⅛	+0½	12.58
Finland 11½ 89 FFr	70	92½	93⅜	0	0	12.78
Gaz de France 11 84 FFr	150	94⅛	95⅛	+0⅛	+0⅛	12.60
IBM France 11⅞ 84 FFr	120	97	98⅛	−0⅛	+0⅛	12.54
Renault 9⅞ 85 FFr	100	86½	87⅝	+0⅛	0	13.48
Saint-Gobain 9⅞ 86 FFr	130	85⅝	86⅞	−0½	+0⅛	13.25
Solvay et Cie 9⅝ 87 FFr	125	84⅛	85½	+0⅛	+0½	13.24
Beneficial Fin. 14⅛ 90 £	20	99⅞	100⅛	−0⅛	−0⅛	14.21
Citicorp O/S 13½ 90 £	50	98½	99	−0⅛	−0⅛	13.70
EIB 11½ 91 £	25	90⅞	91⅜	−0⅛	+0½	13.04
Fin. for Ind. 12½ 89 £	30	95⅝	96½	−0⅛	−0⅛	13.26
Fin. for Ind. 14½ 89 £	20	102½	102⅞	−0⅛	−0½	13.90
Gen. Elec. Co. 12½ 89 £	50	96½	97	−0½	−0⅛	13.12
Swed. Ex. Cr. 15⅛ 85 £	20	103	103½	−0⅛	−0½	14.22
Indonesia 8⅜ 91 KD	7	†93	93½	0	0	9.77
Mitsubishi 7½ 84 KD	10	†92⅛	93	0	0	9.77
Norges Kom. 7½ 89 KD	12	†93⅜	93⅞	0	0	8.55
Occidental 8⅛ 91 KD	7	†89⅛	90⅛	0	0	9.70
Akzo 9⅛ 87 LuxFr	500	95⅛	95⅜	0	+0⅛	10.21
Euratom 8 87 LuxFr	500	89	90⅛	+0⅛	+0½	10.08
Euratom 9⅜ 88 LuxFr	500	93	94⅛	+0⅛	+0½	10.00
EIB 9⅜ 88 LuxFr	600	97	98½	+0⅛	+0⅛	10.12
Volvo 9⅛ 87 LuxFr	500	96	97½	0	−0⅛	10.33

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5⅜ 87	0⅛	97½	98	2/7	15⅛	15.47
Bank of Ireland 5⅜ 89...	‡0⅛	98	98½	2/8	11.81	12.02
Bank of Tokyo 5⅜ 89...	‡0⅛	97½	98	2/10	16.56	16.94
Barclays O/S Inv. 5 90	0⅛	97⅞	98⅜	13/12	9⅜	9.81
Bergen Bk. A/S 6 89...	‡0⅛	97⅜	98⅜	29/8	10	10.27
Bilbao Int. NV 5⅜ 90	0⅛	96⅜	97⅛	29/11	10.06	10.37
Bque. Indo Suez 5⅛ 89	0⅛	98⅛	98⅝	11/7	14.69	14.93
Citicorp O/S F. 83	§‡0	98⅜	98⅞	23/7	10.19	10.29
Citicorp O/S F. 84	‡0	97⅞	98⅜	30/7	9.69	9.90
C. Itoh 5⅜ 87	0⅛	99⅝	100⅛	18/7	19.44	19.46
Co-operative Bk. 6 86...	0⅛	98⅜	98⅞	15/1	11.44	11.63
Creditanstalt 5½ 91	§‡0⅛	96⅜	97	14/8	9.44	9.73
CNT 5⅜ 88	§0⅛	100⅜	101⅛	16/1	18⅛	17.95
GZB 5½ 89	‡0⅛	98	98½	1/8	15⅛	15.52
Jugobanka 8 89	0⅞	90⅛	92⅛	23/11	11⅛	12.72
Ind. Bank Japan 5⅜ 87	0⅛	100⅛	100⅝	15/10	18⅝	18.68
Lloyds Eurofin 8 90 £	0⅛	96⅞	97⅜	3/7	8	8.24
LTCB Japan 5⅜ 86	0⅛	98⅛	98⅝	3/12	9⅝	9.77
LTCB Japan 5½ 89	0⅛	98	98½	7/12	10⅛	10.31
Mfrs. Han O/S 5⅛ 94	‡0⅛	97⅜	97⅞	3/8	9⅞	10.14
Midland Intl. Fin. 5 89	0⅛	99⅛	99⅝	2/12	9½	9.55
Midland Intl. Fin. 5⅜ 92	0⅛	98½	99	3/12	10⅞	11.01
Nacional Fin. 6⅛ 86	0⅛	98⅛	98⅝	3/7	14.69	14.91
Nat. West. 5⅛ 94	§0⅛	99⅝	100⅛	17/10	18⅛	18.65
Nippon Credit 6½ 86	0⅛	97⅛	97⅝	12/7	14.44	14.81
Nippon Credit 5⅞ 87	‡0⅛	97⅞	98⅛	6/8	14	14.69
Royal Bk. Scot 5⅛ 94	§‡0⅛	98⅜	98⅞	11/7	19	19.77
Soc. C. de Bque. 6½ 87	0⅛	100⅛	100⅝	3/10	20.6	19.59
Sogenal 5⅜ 89	§0⅛	97⅜	98⅛	13/7	14.4	14.73
Standard Chart. 5⅜ 90	0⅛	100⅛	101⅛	6/8	17⅛	17.08
Sweden 8⅞ 91	‡0⅛	96⅞	97⅜	18/10	18⅝	19.20
Williams & Glyn 5⅜ 91	0⅛	99½	99⅞	14/1	18⅝	18.57
Bq. E. d'Alg. 4⅛ 89 SF	0⅛	†91	91½	18/2	6⅛	6.71

Average price changes . On day −0⅛ on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7⅜ 89	10/79	145	†118	119	0	−8.00
Ajinomoto 7⅜ 95	2/80	615.5	108⅜	109⅛	−0½	−1.32
Alco Int. Fin. 9½ 94	1/80	40	93½	94⅛	−0⅛	7.63
Apache 1. Fin. 8⅜ 95	12/80	21.12	†110	111	−1½	−1.71
Asahi Optical 7 94	11/79	526.1	100⅛	101⅛	−2⅛	−.37
Canon 8⅜ 94	8/79	570	110⅛	111⅜	−1⅞	.07
Credit Suisse 4⅜ 93	10/79	1278	101⅝	103⅛	+0⅛	−.87
Daiei Inc. 6½ 94	11/78	927.3	97⅜	98½	−0⅛	18.05
DDKK 11 90	4/80	324	111⅛	112⅛	−1	9.97
Dynalectron 9½ 95	8/80	12.22	112⅛	113⅜	+0⅛	0.54
Enserch Fin. 9½ 94	7/80	30.25	116⅛	117⅛	+0½	3.0
LPC Internatnl. 8 89	9/79	23.33	†106	107½	−1	13.2
Meidensha Elec. 7 94	12/79	210	98⅛	99⅛	−0½	4.5
Mitsubishi Cp. 6⅞ 94	10/79	549.1	125½	127	−2½	0.5
Nippon Seiko 7⅜ 94	12/79	339	†111	112	−1⅛	0.0
Nitto Elec. Ind. 6 94	7/79	735	86½	87½	−1⅝	9.1
Toshiba Cpn. 7⅜ 94	10/79	198	100	101	−1⅛	−1.0
Union Bk. Switz. 5 89	2/80	121.4	98½	99½	0	5.8
Fujitsu 5 84 DM	7/79	475	103⅜	104⅜	−0⅛	5.9
Kansai Elec. 4 84 DM	4/79	1234	†87½	88⅜	0	37.78
Uny Co. 6½ 85 DM	11/79	1071	96⅛	97	−0⅛	25.38

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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هكذا من الأصل

FOKKER AND VFW AFTER THE SPLIT

Divided they flourish

BY CHARLES BATCHELOR IN AMSTERDAM AND ROGER BOYES IN BONN

FOKKER, THE Dutch aerospace group, has emerged from its unsuccessful 10-year liaison with the West German aircraft builder, VFW, a much changed company. It now has a new management and a clear idea of the markets it must aim for and avoid.

In the view of Fokker's new chairman, Mr. Frans Swarttouw, a more ill-matched couple would have been difficult to find: VFW was predominantly a military aircraft maker while Fokker's strength was its civil aircraft programme.

A civil aircraft manufacturer selling to commercial airlines has an entirely different approach to a defence contractor chasing government orders, according to Mr. Swarttouw. The former must sell his to commercial customers and maintain its aircraft around the world. Fokker's markets in the developing world require long support lines to customers often operating only one or two aircraft. The military aircraft builder sells bigger lots to few customers who place price second to military and technical considerations.

Fokker will not turn down profitable defence contracts—it is at present part of a European-American consortium building the General Dynamics F-16 fighter—but this will remain subordinate to its civil aircraft programmes, says Mr. Swarttouw.

The one new civil aircraft developed jointly by Fokker and VFW was the VFW-614, of which only 16 were sold. The problem was that this aircraft overlapped markets already served by Fokker with its F-27 and F-28 airliners. VFW accused Fokker of putting too little effort into selling the German-built jet.

The strong interest which governments take in their aircraft industries also contributed to the failure of the merger. The channels of communication between Bonn and VFW in Bremen and between Fokker in Amsterdam and The Hague by-passed the company's joint headquarters in Dusseldorf, Fokker says.

Fokker is now unable to make all the aircraft it can sell whereas previously the situation was the reverse.

Apart from space and defence contracts, Fokker aims to support three civil aircraft programmes at one time. It now has two programmes under way, one under detailed study and a fourth in the initial stages. They are:—

● The F-27. Sales of the most popular turboprop airliner ever built have now reached 715 and are expected to reach 1,000 before it is phased out in 10 to 15 years' time. A new market has opened up in the U.S., where the Airline De-regulation Act now allows commuter airlines to fly larger aircraft.

● The F-28. This aircraft has not matched up to sales hopes but is operating in the difficult 65-85 seat jet market. Fokker has sold 162 and expects to continue production into the late 1980s.

● The F-29. This should be the next major civil programme involving co-operation with the U.S., Japan and possibly other European countries. Fokker has an agreement with Boeing to use the Boeing 737 fuselage for this 130-160 seat jet.

Fokker is also talking with the Japanese Government and industry while in Europe it is discussing co-operation with a number of manufacturers, including the Airbus consortium. Fokker said recently that assembly of the F-29 may take place in Japan and the U.S. as well as in Europe to enable the aircraft to compete more effectively with local manufacturers. Production costs in Europe are high and have been made relatively higher by the weakness of the dollar.

Fokker originally hoped to decide by mid-1981 on whether definitely to go ahead with this \$800m-\$1bn project but a decision may be delayed. The F-29 is due to fly in 1985.

● The advanced turboprop airliner. Fokker has begun studies on a new aircraft for the short-to-medium haul market between the F-27 and F-29 in size, using entirely new turboprop technology.

New men have been brought in at all levels of management to pilot the company into the 1980s. Mr. Swarttouw, now aged 47, came to Fokker only two years ago from the highly successful container company, European Container Terminus, which he built up in Rotterdam. He has been responsible for Fokker reassessing its aims and the decision to work with, rather than confront, the international, mainly American, competition.

Fokker has made many successful aircraft in its 60-year history. But in recent times it has made very little money. Turnover climbed from Fl 369m in 1970 to Fl 965m last year but total profits in the 10-year period amounted to only Fl 36m. Even this small sum was all but wiped out by a Fl 35m loss in 1977.

The company's shareholders, who include Northrop Corporation, Algemene Bank Nederland and the VMF-Stork engineering group, have seen little return on their investment. Fokker has not paid a dividend since a 9 per cent distribution in 1975. Profits are expected to be somewhat higher in 1980 than the Fl 4.8m in 1979.

Retained profits can meet only a fraction of the sums required for new projects. The Dutch Government has agreed to finance development costs up to mid-1981. If the project then goes ahead Fokker hopes the Government will provide loan guarantees to finance production.

Foreign partners are also needed, however, to fund a project of this size. For this reason Fokker has turned to the U.S, Japan and other European manufacturers. The Dutch company is happy to form ad hoc links with other groups on projects of this kind, though its experience with VFW means that a more permanent link is unlikely, says Mr. Swattouw.

Coping well in limbo

VEREINIGTE FLUGTECHNISCHE WERKE (VFW) is coping well with the difficult limbo period between divorce and re-marriage. Its profits and sales have soared over the past year, largely as a result of lucrative civil aircraft production and to its expanding space programme.

The divorce was at times painful but, for the past two years, inevitable. It was above all, the pre-condition of the long-awaited merger between VFW and Messerschmitt-Boelkow-Blohm (MBB), a merger actively encouraged by the Bonn Government, which was determined to create an *independent and truly competitive* German aerospace industry.

Much to the annoyance of the German Government, merger negotiations are still winding their weary way towards a conclusion. Some executives in the industry believe that the merger could be finalised by the end of the year—but the same executives were saying the same thing last year.

In the meantime, both VFW and MBB are flourishing. For MBB, with its full military order books, this hardly comes as a surprise. But VFW, heavily dependent on government support throughout its partnership with Fokker, was certainly not tipped to be the aerospace business success of the 1980s.

Yet last year VFW pushed up net profits from DM 2.58m to DM 9.79m (\$5.5m) while sales advanced by DM 100m to DM 965m. The previous year its profits were almost solely because of orders booked by ERNO, VFW's space engineering subsidiary.

Much of the sales boost has come from the Airbus programme which has helped to push turnover in the civil aircraft division up from DM 182m in 1978 to DM 283.2m. The success of the Airbus A-300 and A-310 has snowballed over the past year, having apparently caught the U.S. industry on the wrong foot. Last week Kuwait announced that it would buy six A-310s, the first Middle East customer for the European aircraft.

ERNO also has a three-pronged space programme which has considerable growth potential. In the first place, the company is prime contractor within a European consortium for the development of Spacelab which will act as part of the U.S. space shuttle. Second, ERNO is collaborating with French industry in the construction of the Ariana launcher. The third strand to ERNO's activities is the construction of communications and research satellites.

These activities are on the whole profitable but are liable to external problems—the U.S. shuttle timetable, for example, has been constantly postponed while the second of four Ariana test launchings ended in a crash, which has hung a question mark over the project.

But the major shadow over VFW's involvement in space technology, the Airbus, and in its few military projects (it is participating in the Tornado multi-role combat aircraft) is fear of escalating costs. The costs of the Tornado have soared since flight testing began in 1974. The problem is that *while multi-national aerospace* projects can indeed spread commercial risk and extend production runs they are also liable to be hit by inflation in other countries involved.

There is no easy way out of this for VFW. Some of its executives believe that with its high technological base it could survive without MBB. But the German Government is clearly sceptical and ultimately both VFW and MBB are dependent on the goodwill of the Government.

The merger negotiations have become a Gordian knot, made of the conflicting interests of the various shareholders. But at least the company feels it is well equipped to hold out in a wait for a merger which has come to resemble waiting for Godot.

Fiat chief warns of grimmer prospects for car operations

BY PAUL BETTS IN TURIN

SIG. GIOVANNI AGNELLI, the chairman of Fiat, yesterday renewed warnings of the increasingly grim prospects of the group's car operations.

Sig. Agnelli, confirmed that Fiat was involved in advanced negotiations with the French Peugeot-Citroen car group to produce jointly major car components. He said that the negotiations involved the possibility of building a joint components plant. The Fiat chairman described Peugeot as his groups "natural ally," and the joint venture is likely to involve production of some 1m medium-sized engines a year.

In the face of continuing productivity problems and the widening gulf between inflation in Italy and in other industrialised countries, Sig. Agnelli said at the company's annual meeting in Turin, that Fiat's competitiveness had dropped by 17 points from the beginning of 1979 to April this year compared t its main competitors. Productivity at Fiat was now 28 per cent less than the average productivity rate of other major car manufacturers.

Sig. Agnelli also said after the annual meeting that Fiat was seeking to reduce its overall car production in the second half of the year by 30 per cent, as the company could not afford to maintain an excessive level of stocks. The present level of stocks totals between 60,000 and 70,000 vehicles and Fiat wants to reduce production by a further 130,000 cars this year.

Fiat is now planning widespread lay-offs later this year in a significantly tougher approach to industrial relations in view of the developing crisis in the car industry.

Moreover, Sig. Agnelli called yesterday for the setting up of a European Economic Community special fund to help the troubled Eurooean car sector in its restructuring and reconstruction efforts.

Fiat's managing director and chief financial executive, Sig. Cesare Romiti, said he expected Fiat to report this year similar losses on its car operations as for 1979 as long as the market situation did not deteriorate further. The group's international activities were also likely to report similar results this year after a reduction and rationalisation of some of its operations.

The company disclosed for the first time consolidated figures of the overall financial position, although these contained a major qualification.

Fiat will publish a fully consolidated balance sheet and have its accounts independently audited by one of the big eight international auditing firms as from 1981. Meanwhile, Sig. Romiti said Fiat recorded an overall group consolidated profit of L25bn (\$29.83m) in 1979, excluding South America.

The parent company, Fiat Spa, reported a profit of L39.7bn last year despite losses of L97.2bn in its troubled car division.

This consolidated profit does not take into account losses of nearly L200bn in Fiat's South American operations, Sig. Romiti said. He isolated the South American losses from the overall figures because he claimed Fiat's operations there where gross revenue totalled some L1,300bn last year, were still at an early stage of development and had "promising longer-term growth prospects."

The group's gross consolidated revenues last year totalled L17,334bn (\$20.68bn) compared to L15,089bn in 1978. The group's overall financial debts at the end of last year amounted to L5,616bn including L1,200bn of debts in Fiat's South American operations and L1,000bn of debts in the group's entire overseas commercial network.

Sig. Romiti also disclosed that Fiat's overall stocks, including raw materials and finished products, totalled L6,000bn at the end of last year, while the group's working capital, including commercial credits, stocks and supplier debts, amounted to L5,300bn. Thus Fiat's overall debts were roughly the equivalent of the group's total working capital, Sig. Romiti said.

Moët-Hennessy

The Annual General Meeting, held in Paris on 20th June 1980 under the Chairmanship of Mr. Frederic Chandon de Briailles, approved the accounts and balance sheet for the financial year ending 31st December 1979.

The dividend for the year was fixed at FF 13 per share, added to which there is the tax paid in advance (tax credit) of FF 6.50, giving a total dividend of FF 19.50, an increase of 24%.

Since the interim dividend of FF 6 was paid on 4th February 1980, the balance remaining of FF 7 will be paid from 7th July 1980 against delivery of coupon no. 28.

The Annual General Meeting also renewed for a period of 6 years the appointments of Mr. Frederic Chandon de Briailles and Mr. Geoffroy de Murard as Directors.

The Board of Directors, which met following the Annual General Meeting, reappointed Mr. Frederic Chandon de Briailles as Chairman and Mr. Kilian Hennessy as Vice-Chairman.

Executive management of the Group will thus remain as follows:

Mr. Frederic Chandon de Briailles, Chairman
Mr. Alain Chevalier, Vice-Chairman and Managing Director
Mr. Alain de Pracomtal, Director and General Manager

(The Annual Report for 1979 can now be supplied in French and will be available in English from 20th July at the Company's Head Office, 30 Avenue Hoche, Paris).

ENTE NAZIONALE PER L'ENERGIA ELETTRICA

U.S. \$100,000,000

Floating Rate Debentures due 1987

Convertible at the holders' option into

9½% Fixed Rate Debentures due 1995

Guaranteed by the Republic of Italy

In accordance with the provisions of the Debentures, notice is hereby given that for the six month Interest period from 1st July, 1980 to 2nd January, 1981, the Debentures will carry an Interest Rate of 10⅝% per cent per annum and that the interest payable on the relevant Interest Payment Date, 2nd January, 1981 against Coupon No. 1 will be U.S. \$517.10.

The Bank of Tokyo, Ltd. London
Agent Bank

Bosch buys U.S. tool maker

BY KEVIN DONE IN STUTTGART

THE BOSCH GROUP of West Germany has broadened its interests in the U.S. with the takeover of the power tools division of Stanley Works.

Bosch, the Stuttgart-based manufacturer of automotive industrial, and household electrical equipment, said yesterday that it had reached agreement with Stanley Works for the acquisition of its Stanley Power Tools subsidiary based at New Bern, North Carolina. It refused to reveal the purchase price.

The takeover is small, however, and is seen by Bosch as the starting point for an expansion of its electrical machine tool interests in the important U.S. market. Stanley Power Tools had a turnover last year of \$15m and has a workforce of some 350. To date it has chiefly been involved in the manufacture of machine tools for wood processing.

Bosch is anxious to extend its activities in the U.S. and is aiming to have a turnover there of some \$500m by the mid-1980s. Last year its U.S. sales totalled \$308m, excluding the turnover of companies in which it has an interest of 50 per cent or less.

The acquisition of Stanley Power Tools will increase its U.S. machine tool turnover by some 50 per cent. As in West Germany, the largest part of Bosch's U.S. sales are derived from automotive electrical equipment.

In spite of the recession in world motor markets, however, Bosch is still investing in the automotive sector in the U.S. and is planning to spend \$40m in the next three years on expanding its diesel injection equipment plant at Charleston, North Carolina.

It sees its main chance in the U.S. in the introduction of specialised technologies and in this area it has concluded supply contracts with all the main U.S. motor manufacturers.

Bosch also owns an interest of nearly 10 per cent in Borg-Warner, the important U.S. producer of mechanical automotive components. With the purchase of this share for \$62.9m at the end of 1976 it also acquired a seat on the Borg-Warner board.

It also holds a 25 per cent interest in American Micro Systems, the U.S. producer of semiconductors, which will have a turnover this year of \$130m-\$140m.

Profits plunge at Hachette

BY TERRY DODSWORTH IN PARIS

HACHETTE, FRANCE's largest publishing group, suffered a dramatic fall in consolidated profits last year from FFr 179m to FFr 97m (\$23.6m). The group emphasised, however, that the reversal arose from an exceptionally high level of capital gains thrown up by disposals of assets in 1978.

Consolidated sales rose rather less than the rate of inflation in France, going up by about 9 per cent from FFr 5.79bn to FFr 6.03bn. This slow rate of growth reflected the competitive situation in both the book publishing business and the magazine industry. Hachette has wide interests in Sunday newspapers and a number of periodicals, including Le Point, Elle and the Nouvel Economiste.

M. Jacques Marchandise, the chairman, has told shareholders that it was difficult to make a forecast for the current year because the group was heavily dependent on the results it achieves in the second half. But he underlined the company's anxieties about the development of the book publishing industry, which is suffering from the decline in consumer spending and the trend towards audio-visual communications.

Ruetgerswerke lifts sales

FRANKFURT — Ruetgerswerke, the West German producer of plastics, tars and chemicals used in construction, reports a sales increase of 35 per cent in the first five months of 1980.

The annual meeting was told that growth would be considerably lower during the rest of the year, however, because of rising costs and the downtrend in economic growth.

Sales of basic chemicals had risen by 34 per cent in the five months, plastics had risen 33 per cent and building materials were up 48 per cent.

Austrian banks step up competition

BY PAUL LENDVAI IN VIENNA

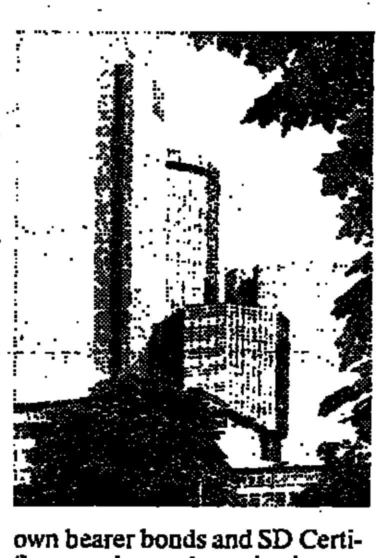
FOR THE FIRST time since World War II the Austrian banks are now completely free to compete for the small investor's money. At the initiative of Dr. Heinrich Treichl, president of the Federation of Banks and Bankers, the 30 main banks and eight regional banks, as well as four special institutions, gave notice in April this year that from July 1 they are no longer to be bound by the so-called "deposit interest rates agreement" and its additional arrangement which was concluded on March 1, 1979.

The interest rates on various categories of deposit since announced show some significant, if perhaps only temporary, differences. Thus Creditanstalt Bankverein, the number one bank, introduced a completely new gimmick by offering 6.25 per cent on deposits with four months' withdrawal notice. All other banks, savings banks and farmers' co-operatives start their offers with deposits with six months' notice.

The free-for-all in competing for deposits affects 48 per cent of all Austrian savings deposits. According to Dr. Treichl, about 52 per cent of savings deposits (excluding Building Society deposits) are so called three-month deposits with the lowest rate of interest at 5 per cent since April 1980. This basic rate, increased from 4 per cent to 5 per cent in April, should remain at the same level and should under no conditions be reduced, Dr. Treichl stressed at the general assembly of the bankers' federation.

Focus on Hessische Landesbank – Girozentrale –

"In fact, Hessische Landesbank is Frankfurt's leading issuing house."



Where does the name Hessische Landesbank originate?

"Hessische Landesbank is a government-backed regional bank which derives the first part of its name from Hesse, one of Germany's foremost federal states with its financial capital Frankfurt. The second part points to our activities as banker to the State of Hesse where we also perform clearing and other centralized functions for the state's 52 Sparkassen."

What are the bank's main activities?

"Hessische Landesbank is fundamentally a wholesale universal banking institution. Our service facilities cover the full range of commercial and investment banking. We concentrate on medium to long-term fixed-rate DM lending. This means that domestically and internationally our main clients are large corporations, government entities and other financial institutions.

Other important activities include major money market operations, where our clientele is composed chiefly of corporate clients and financial institutions, and foreign exchange transactions conducted primarily on behalf of corporations and the state's Sparkassen."

What about your position in interbank business?

"Size, of course, is important. With total assets of DM 49.2 billion, we are Germany's 9th largest bank. We also issue our own bearer bonds and SD Certificates – the total now in circulation is over DM 21 billion – which means that our own funding capacity is quite substantial, enabling us to provide long-term fixed-rate DM loans as well as short and medium-term credit packages to foreign financial institutions. In fact, Hessische Landesbank is Frankfurt's leading issuing house."

What are your strengths in the securities market?

"We are particularly active in domestic bond trading. Here our clientele includes institutional investors as well as financial institutions. In addition, we provide our foreign clients with information and research on both German fixed-interest securities and shares, and act as depository bank for them. We also participate regularly as underwriters in Euro-DM issues and publicly offered foreign currency issues."

Where do you put your emphasis in international financing?

"As already pointed out, our strength is in the medium and long-term sector. Our foreign lendings include buyers' and sellers' credits as well as straight financial loans. We also provide short and medium-term credit through our foreign banking subsidiaries to cover the financing requirements of international projects."

And your commercial banking activities?

"We have an excellent record in documentary business where our correspondent network is of special value. Also worth mentioning is our membership in S.W.I.F.T. In addition, foreign clients appreciate our advice and guidance on German business activities."

What is your guiding philosophy for your long-term development?

"More than anything else we believe in quality service. We are conservative in approach, and program our growth to a healthy overall balance structure. We do not pursue growth for the sake of growth. We seek mutually profitable long-term client relationships."

Hessische Landesbank
– Girozentrale –
Junghofstrasse 18–26
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Telephone: (0611) 132-1
Telex: 415291-0

Helaba Frankfurt
Hessische Landesbank -Girozentrale-

INTL. COMPANIES & FINANCE

July 2, 1980

$50,000,000

American Natural Resources Company

Medium Term Loan

managed by

Salomon Brothers

Bayerische Vereinsbank International
Société Anonyme

Crédit Lyonnais
Chicago Branch

Kredietbank N.V.

Midland Bank Limited

Société Générale De Banque S.A.

agent

Bayerische Vereinsbank International
Société Anonyme

Record earnings at Mitsubishi Electric

By Our Financial Staff

MITSUBISHI ELECTRIC Corporation, the Japanese electric machinery company, increased its consolidated net profit in the year to March 31 by 4 per cent to a record Y32.621bn ($148.5m), from Y 21.961bn the previous year.

Sales also reached a record level, gaining 17 per cent to Y1,189bn ($5.4bn), from Y1,018bn.

Mitsubishi attributed the improvement mainly to gains in heavy electric appliances, computer systems, integrated circuits (ICS) and electric components for automobile manufacturers.

Sales of heavy electric appliances came to about Y300.73bn, up 16 per cent from about Y258.98bn, while electric and industrial devices sales increased 19 per cent to Y377.44bn, from Y316.28bn. General electric appliances sales totalled Y218.5bn, or 19 per cent more than the Y183.12bn in 1978-79, and consumer home electric products Y292.79bn, up 12 per cent from Y260.37bn.

Exports rose 21 per cent to Y186.53bn, from Y154.50bn, helped by the yen's weakness in the year.

Net income per share was Y23.23, compared with Y16.22.

The rise in net income was associated with increased profitability among the group's subsidiaries, as well as to a decrease in operational costs and the yen depreciation.

Both sales and net income showed year-on-year rises for the fourth consecutive year.

The company expects results in the current year to be similar to or better than those last year, in a worsening business climate.

CHINESE INSURANCE

A study in capitalism

BY COLINA MACDOUGALL

Cricket, opera at Glyndebourne, picnics, and British beer are the informal side of the programme that Sedgwick, the UK insurance group, has laid on for its new Chinese trainees. Eight trainees altogether have come to London for two years, two to Sedgwick, and three each to C. T. Bowring and Wills and Faber, to learn the international insurance business. The hope is that as China's economy grows, its insurance experts to tomorrow will turn increasingly to London brokers.

While language and engineering study abroad have become common for the Chinese in the last couple of years, this is the first time that anyone has come to sit at a desk in a western business to view capitalism at work. The trainees' particular brief is to study the insuring of plant construction and offshore oil equipment.

The People's Insurance Company of China, the national insurance company, though still trailing some way behind the enterprising Bank of China, which now runs a multi-billion-dollar organisation, is rapidly pursuing new business under the impetus of Peking's "Four Modernisations."

The PICC got the go-ahead from Peking to step up its activities last year. Already the staff has quadrupled to 2,000 and branches have multiplied. New areas of foreign business and new categories of coverage were introduced at the end of last year and the domestic insurance of property and transport of goods were revived, for the first time since 1967.

In recent times the PICC's main business has been re-insurance. Not only has it begun to re-insure its own projects, it also acts as re-insurer for foreign brokers. Last year, for instance, it paid out on a wrecked Liberian tanker and a lost U.S. communications satellite. According to the Hong Kong magazine, Economic Reporter, the value of shared premiums went up last year to $133m, from almost nil a few years ago.

The PICC's direct premium income is also rising. Last year, the Economic Reporter said, it went up to $113m from only $66m in 1977. Marine hull and cargo business, together with aviation, must account for much of this. Peking insures its international flights and the internal Chinese flights of foreign airlines, but not yet its own domestic flights.

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The Chinese have at last woken up to some important considerations. First, their purchases of foreign plant represent huge investments of precious foreign exchange. These should be protected, at least while they are being built and paid for. Joint equity ventures and compensation trade have to be insured for at least the foreign partner's sake (under the 1979 Joint Venture Law, cover must be taken out from the PICC).

Then, on the domestic scene the pragmatists in Peking have realised that managers must be responsible for their own profit and loss, and this clearly implies taking out insurance. Finally, they have woken up to the fact that there is money to be made.

London brokers view the prospects of new reinsurance business with China as promising. One leading company says that while its business with China is equivalent to only about a fifth of its business with Japan, it confidently expects the volume to double in the next year. The PICC has ventured into the new insurance exchange in New York, taking a 10 per cent share in the South Place syndicate run by Stenhouse Holdings and Continental Corporation. It has also formed a link with Firemen's Fund, a subsidiary of American Express.

The main growth areas for foreign insurance companies in the China business are likely to be in reinsuring major new plants supplied from abroad and offshore oil equipment. In the previous round of buying in the early 1970s none of the foreign plants were insured by the Chinese.

The Baoshan steel complex now rising near Shanghai is a sample of China's new policy. Much of it was purchased from Japan, and the PICC is providing all insurance. However, the Japanese (who had hoped to be co-insurers) will be co-reinsurers, getting 50 per cent of the business. The Chinese will farm out the remainder of the reinsurance elsewhere if they reckon the risk warrants it.

China's nascent offshore oil industry is the other big development area for foreign reinsurers. With foreign-purchased rigs costing about $60m a time and the risks they run considerable, Peking appears to recognise the need. At present, none of China's eight existing rigs (of which seven are foreign-built) is insured, though this is likely to change soon.

CSR heads for A$100m profit

BY JAMES FORTH IN SYDNEY

CSR, the industrial and mining group, is heading for a group profit of A$100m to A$110m (around U.S.$120m) in 1980-81, about 35 per cent more than the record of A$77.3m in 1979-80. This was indicated on Monday by Mr. B. Kelman, CSR's deputy general manager, on the release of the company's annual accounts.

The accounts reveal that following its A$465m takeover last year of Thiess Holdings, the coal and civil engineering group, CSR is poised for dramatic growth in coal developments. The Federal government at the weekend granted foreign companies permission to participate in the A$600m Hail Creek coking coal project in Queensland, with a letter of intent for an initial order of 3.5m tonnes year, expected later this year. The Theodore steaming coal prospect in Queensland is expected to be a viable project by 1984, with an initial capacity of 1m tonnes a year gradually rising to 5m tonnes.

At the Collie steaming coal mine in Western Australia, the reserves have been substantially boosted, to 457m tonnes, and could rise again if a joint venture with Broken Hill Proprietary Company on adjacent deposits meets expectations.

The report also discloses that letters of intent have been signed with an overseas party for the supply of 110 tonnes of uranium oxide a year from the Honeymoon prospect in South Australia. A preliminary study is being undertaken of the large oil shale deposit at Julia Creek in Queensland, where drilling has increased reserves to 4bn tonnes of shale containing 1.5bn barrels of oil-in-situ. Although lead times would be long, the deposit could become a major source of crude oil and refined products for Australia.

CSR is also actively trying to interest Japanese steel mills in the development of a large iron ore deposit at Yandiscoogina in the Pilbara region of Western Australia. A 15 man negotiating party is in Japan. Referring to the planned aluminium smelter in NSW with the French group, Pechiney, CSR directors said a ten year sales contract for a significant part of its share of the aluminium production had been concluded and talks relating to the balance were being held. Negotiations for its share of the finance were at an advanced stage.

Discussions continued with various Australian state governments and the New Zealand Government concerning the prospects of establishing aluminium smelters. The directors said that CSR was also actively investigating a number of possible avenues of production of ethanol from sugar cane, as well as from other crops such as cassava, sugar beet, and cereals. New Zealand Sugar company was also carrying out a feasibility study of ethanol production from sugar beet in New Zealand.

This announcement appears as a matter of record only. The Bonds were offered and sold outside the United States of America.

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July 2, 1980.

Supreme takes control of Keng Soon

By Wong Sulong in Kuala Lumpur

SUPREME CORPORATION, the Malaysian property and plantation group, has announced a deal to acquire control of the Keng Soon Finance group of companies for a sum approaching 40m ringgit (US$ 18.7m).

Supreme will acquire 4.664m shares of Keng Soon Finance Berhad, 4.5m shares of United Keng Soon Holding Berhad, 50,400 shares of Keng Soon Credit and 60,000 shares of Kisan Agency Sdn. Berhad, representing 74 per cent, 80 per cent and 100 per cent of their respective equities.

The deal will be satisfied through a cash-cum-share offer. For Keng Soon Finance, Supreme will pay cash of 2.8m ringgit (US$ 1.3m) plus 11.66m Supreme shares valued at 2 ringgit each; for United Keng Soon, cash of 1.35m ringgit (US$ 630,840) plus 5.625m Supreme shares; for Keng Soon Credit cash of 50,400 ringgit plus 226,800 Supreme shares; and for Kisan Agency 60,000 ringgit plus 270,000 Supreme shares.

Supreme explained that the group had been looking around to diversify into the financial sector. Last year, it took a 30 per cent stake in QBE-Supreme Insurance.

The Keng Soon group is currently involved in such operations as purchase of motor vehicles, property development, and insurance brokerage. Supreme said the total profit for the Keng Soon group for this year is estimated at 7.4m ringgit (US$3.46m) of which 6.1m ringgit would be attributable to Supreme.

With the acquisition, Supreme's paid up capital would be increased from 33m ringgit (US$15.4m) to 51m ringgit (US$23.8m), and group reserves from 3.7 ringgit to 21.5m ringgit. Net asset backing per share will increase from 1.11 ringgit to 1.42 ringgit, but net tangible assets per share would decline from 98 cents to 83 cents.

Supreme said its net pre-tax profit for the year ending June 1981 is expected to be 16m ringgit (US$7.5m).

Adelaide Steamship buys stake in David Jones

BY OUR SYDNEY CORRESPONDENT

ADELAIDE STEAMSHIP COMPANY, one of the most acquisition-minded companies on the exchange lists, has emerged with a substantial stake in Australia's oldest department store group, David Jones. The directors of the retail group met with representatives of Adelaide at the weekend and offered board seats to three senior executives of Adelaide.

David Jones has been the target of takeover rumours, and sporadic heavy trading, over the past two years, because of its poor earnings record, but Adelaide's name had not surfaced in market speculation.

The corporate takeover specialist, Industrial Equity Ltd. (IEL), headed by Mr. Ronald Brierley, is known to have been buying since late last year, and built up a stake of just under 10 per cent before Adelaide played its trump.

It turns out that Adelaide has also been quietly buying since late last year, and has held just under 10 per cent since about February. It doubled its stake last week in heavy trading. The directors of David Jones said on Monday that the weekend meeting had discussed the present and future implications of Adelaide's move, and established that both boards had an interest in the development and improved profitability of the retailer.

The Adelaide board had given an assurance that the protection of the interests of the Jones staff would be of paramount importance. The Jones directors had confidence in the long term profit prospects of the company and recommended to shareholders that they retain their shares at the going price levels. The net tangible asset backing of David Jones shares is A$2.60, which values the group at A$125m, but Adelaide picked up its stake at between A$1.32 and A$1.50 a share.

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425 to 444 — 1721 to 1722
1625 to 1662 — 1921 to 1940

(all numbers inclusive)

for the year ending 15th June, 1980 in terms of Condition 4(B) of the terms and conditions of the Notes.

KD 9,600,000 principal amount of Notes remain outstanding after 15th June, 1980.

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.),
Omar Bin Al-Khattab Street,
P.O. Box 5665, Safat,
Kuwait City, Kuwait.

2nd July, 1980.

هكذا من الأصل

Companies and Markets

CURRENCIES, MONEY and GOLD

Lira weak

The Italian lira continued to weaken in currency markets yesterday ahead of today's expected economic package. The Italian authorities will announce measures designed to support the lira which has fallen considerably over the past three weeks. Although still within its maximum permitted divergence in the European Monetary System, the lira was weaker yesterday than at any other time since the system began in March 1979. Its fall came despite efforts by the Italian central bank to prop up its currency by intervening in the foreign exchange market, with market estimates putting this at something over $1bn. On Bank of England figures the lira's index fell to 52.5 from 53.0. Sterling was quoted at L1,985 compared with L1,974½ and the U.S. dollar at L841 against L838.65.

Sterling was slightly firmer overall, and its trade weighted index, measured against a basket of currencies, rose to 74.5 from 74.4, having stood at 74.5 at noon and 74.4 in the morning. Against the dollar it opened at $2.3545-2.3555 and rose to a best level in early afternoon trading of $2.3620-2.3630. Later in the day however, the dollar recovered slightly, and sterling finished at $2.3597-2.3607, a rise of 37 points from Monday. The dollar was unchanged on balance, but retained a softish undertone amid persistent selling out of the U.S. Business was at a low level for most of the day however, and there was no real pressure on the U.S. unit. On Bank of England figures its trade weighted index was unchanged at 83.5.

ITALIAN LIRA — Weakest member of EMS, reflecting Italy's growing economic problems. The country's balance of payments deficit coupled with high inflation has depressed the lira after it rose to the top of the system in February and was firm for most of last year — The lira showed mixed changes at the Milan fixing, but forward rates moved sharply as Eurolira interest rates rose on fears of a possible devaluation of the lira in the near future. The dollar rose to L847.55 from L838.75 at the fixing, and sterling to L1,988.40 from L1,981.75.

D-MARK — Slightly weaker within the European Monetary System recently, but showing a firmer tendency against the dollar following a sharp narrowing of Euro-currency interest rate differentials — The D-mark declined against most other major currencies at the Frankfurt fixing. The dollar rose to DM 1.7632 from DM 1.7582, and the Bundesbank did not intervene. Sterling improved to DM 4.1610 from DM 4.1530, but the Swiss franc moved against the general trend, falling to DM 1.0843 from DM 1.0867. Within the EMS the Irish punt rose to DM 3.7490 from DM 3.7430; the Dutch guilder to DM 91.29 per 100 guilders from DM 91.20; the French franc to DM 43.09 per 100 francs from DM 43.02; and the Italian lira to DM 2.097 per 1,000 lira from DM 2.098.

JAPANESE YEN — Energy and balance of payments problems reflected in sharp decline last year. More recently lower U.S. interest rates have helped the yen recover. — The yen lost ground to the dollar in active Tokyo trading. The U.S. currency closed at Y220.00, compared with Y218.10 on Monday, and after opening at Y219.80. It touched a three week high of Y220.80, and was steady around the Y220 level in late trading.

THE POUND SPOT AND FORWARD

July 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3545-2.3630	2.3597-2.3607	1.95-1.85c pm	9.66	4.28-4.18 pm	7.17
Canada	2.7075-2.7150	2.7120-2.7140	1.33-1.23c pm	5.66	3.70-3.60 pm	5.38
Nethlnd.	4.54-4.57	4.54¼-4.55¼	3½-2½c pm	7.91	7¾-6¾ pm	6.48
Belgium	66.35-66.65	66.40-66.50	30-20c pm	4.51	62-52 pm	3.43
Denmark	12.87-12.92	12.89½-12.90½	1¼ore pm-par	0.70	1¾-3¼ dis	-0.81
Ireland	1.1095-1.1100	1.1063-1.1073	0.05-0.01p pm	0.32	0.20-0.15 pm	0.63
W. Ger.	4.14¾-4.17¾	4.15¾-4.16¾	3½-2½pf pm	8.65	8¼-7¼ pm	7.45
Portugal	115.00-116.00	115.45-115.65	10c pm-25 dis	-0.78	35 pm-85dis	-0.52
Spain	165.00-165.75	165.40-165.60	24c pm-22 dis	0.14	47-95 dis	-1.75
Italy	1,980-1,983	1,984-1,986	40-60 lire dis	-30.23	65-90 dis	-15.62
Norway	11.40¾-11.44¾	11.42¾-11.43¾	8½-7½ore pm	8.40	19¼-18¼ pm	6.65
France	9.63½-9.67	9.64½-9.65½	5½-4½c pm	5.75	11¼-10¼ pm	4.40
Sweden	9.78-9.81½	9.80-9.81	3½-2½ore pm	3.52	5-4¼ pm	1.91
Japan	515-520	517½-518½	2.35-2.05y pm	5.10	6.25-6.00 pm	4.73
Austria	29.40-29.56	29.49-29.54	15-17gro pm	7.32	48-43 pm	6.17
Switz.	3.82¼-3.85	3.83½-3.84½	4¼-3¼c pm	13.28	11¼-10¼ pm	11.07

Belgian rate is for convertible francs. Financial franc 68.85-68.95. Six-month forward dollar 5.58-5.53c pm; 12-month 9.20-9.10c pm.

THE DOLLAR SPOT AND FORWARD

July 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3545-2.3630	2.3597-2.3607	1.95-1.85c pm	9.66	4.28-4.18 pm	7.17
Ireland†	2.1240-2.1330	2.1310-2.1330	1.80-1.70c pm	9.88	4.20-4.10 pm	7.81
Canada	1.1500-1.1507	1.1503-1.1506	0.33-0.37c dis	-3.65	0.52-0.57dis	-1.89
Nethlnd.	1.9265-1.9330	1.9285-1.9300	0.24-0.34c dis	-1.80	0.30-0.40dis	-0.72
Belgium	28.15-28.22½	28.15-28.17	12-13½c dis	-5.43	25-28 dis	-3.76
Denmark	5.4650-5.4765	5.4650-5.4685	3¼-4¼ore dis	-8.78	10¼-11 dis	-7.87
W. Ger.	1.7605-1.7670	1.7615-1.7625	0.07-0.17pf dis	-0.82	0.15-0.05 pm	0.23
Portugal	48.87-49.00	48.87-48.97	30-40c dis	-8.58	70-110 dis	-7.36
Spain	70.15-70.25	70.15-70.20	50-65c dis	-9.83	150-170 dis	-9.12
Italy	841.20-842.00	841.40-841.70	24-31 lire dis	-39.21	44-54 dis	-23.29
Norway	4.8435-4.8477	4.8440-4.8455	0.30-0.80ore dis	-1.36	0.40-0.90dis	-0.54
France	4.0875-4.0945	4.0875-4.0890	1.18-1.28c dis	-3.61	2.50-2.80dis	-2.60
Sweden	4.1525-4.1565	4.1550-4.1560	2.05-2.20ore dis	-6.14	6.25-6.40dis	-6.13
Japan	219.35-220.00	219.50-219.60	0.75-0.90y dis	-4.51	1.40-1.55dis	-2.69
Austria	12.51-12.54	12.51-12.52	1.75-2.35gro dis	-1.96	1.75-2.50dis	-0.64
Switz.	1.6255-1.6320	1.6265-1.6275	0.47-0.40c pm	3.21	1.61-1.54 pm	3.87

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

July 1	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.5	-31.6
U.S. dollar	83.5	-10.1
Canadian dollar	81.7	-16.2
Austrian schilling	137.2	+24.4
Belgian franc	116.2	+14.5
Danish kroner	107.5	-4.1
Deutsche mark	155.8	+44.5
Swiss franc	198.5	+79.7
Guilder	125.0	+19.9
French franc	102.0	-5.4
Lira	52.5	-61.6
Yen	129.1	+27.2

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

June 30	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.560703	0.606103
U.S. $	11	1.32438	1.43010
Canadian $	10.63	1.52436	1.64419
Austria Sch.	6¾	16.5455	17.8691
Belgian F	13	37.2416	40.2358
Danish K	13	7.22449	7.79476
D'Mark	7½	2.32832	2.51585
Guilder	9½	2.55274	2.75780
French Fr.	9½	5.41274	5.84425
Lira	15		1199.42
Yen	9	286.185	311.890
Norwgn. Kr.	9	6.41199	6.91667
Spanish Pts.	8	92.7914	100.343
Swedish Kr.	10	6.40957	6.93348
Swiss Fr.	3	2.14351	2.31819

OTHER CURRENCIES

July 1	£	$		Note Rates £
Argentina Peso	4364-4384	1851-1856	Austria	29.35-29.65
Australia Dollar	2.0390-2.0430	0.8645-0.8650	Belgium	66.40-67.00
Brazil Cruzeiro	122.73-123.73	52.115-52.515	Denmark	12.84-12.94
Finland Markka	8.55-8.56	3.6295-3.6315	France	9.61-9.67
Greek Drachma	100.861-102.887	42.70-42.85	Germany	4.13½-4.17½
Hong Kong Dollar	11.60-11.62	4.9175-4.9195	Italy	1940-1995
Iran Rial	n/a	n a	Japan	518-522
Kuwait Dinar(KD)	0.625-0.631	0.2670-0.2671	Netherlands	4.53-4.57
Luxembourg Frc.	66.40-66.50	28.15-28.17	Norway	11.35-11.45
Malaysia Dollar	5.0575-5.0675	2.1440-2.1460	Portugal	112-116
New Zealand Dlr.	2.3860-2.3910	1.0115-1.0125	Spain	160¼-167
Saudi Arab. Riyal	7.81-7.87	3.3290-3.3310	Sweden	9.75-9.83
Singapore Dollar	4.9926-5.0025	2.1165-2.1185	Switzerland	3.82½-3.84¼
Sth. African Rand	1.8150-1.8160	0.7690-0.7695	United States	2.354-2.363
U.A.E. Dirham	8.68-8.74	3.7010-3.7030	Yugoslavia	63-67½

Rate given for Argentina is free rate

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.2554	+1.17	+0.42	±1.53
Danish Krone	7.72336	7.80914	+1.11	+0.36	±1.64
German D-Mark	2.48208	2.51788	+1.44	+0.69	±1.125
French Franc	5.84700	5.83784	-0.15	+0.90	±1.3557
Dutch Guilder	2.74362	2.75825	+0.53	-0.22	±1.512
Irish Punt	0.668201	0.671072	+0.43	-0.32	±1.668
Italian Lira	1157.79	1201.13	+3.74	+2.61	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 1	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.360	4,160	518.0	9.650	3.840	4.553	1985.	2.713	66.45
U.S. Dollar	0.424	1.	1.763	219.5	4.089	1.627	1.929	841.0	1.149	28.15
Deutschemark	0.240	0.567	1.	124.5	2.320	0.923	1.094	477.2	0.652	15.97
Japanese Yen 1,000	1.931	4.556	8.031	1000.	18.63	7.413	8.789	3832.	5.237	128.3
French Franc 10	1.036	2.446	4.311	536.8	10.	3.979	4.718	2057.	2.811	68.86
Swiss Franc	0.260	0.615	1.083	134.9	2.513	1.	1.186	516.9	0.707	17.30
Dutch Guilder	0.220	0.518	0.914	113.8	2.120	0.843	1.	436.0	0.596	14.60
Italian Lira 1,000	0.504	1.189	2.096	261.0	4.861	1.936	2.293	1000.	1.367	33.48
Canadian Dollar	0.369	0.870	1.533	190.9	3.557	1.415	1.678	731.7	1.	24.49
Belgian Franc 100	1.505	3.552	6.260	779.5	14.52	5.779	6.851	2987.	4.083	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JULY 1)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 15/16	offer 9 15/16	bid 9 15/16	offer 10 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are *National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris,* and *Morgan Guaranty Trust.*

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

July 1	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	—	9¾-10	15-17	10⅜-10⅝	4-4¼	9⅞-10	12½-12¾	70-100	—	13¾-14
7 days' notice	18⅝-18⅞	9½-9¾	11½-13½	10⅝-10⅞	3½-4	9⅞-10	12½-12¾	45-65	6-6⅛	13-13½
Month	17⅞-18	8 11/16-8 13/16	12⅜-12¾	10½-10¾	5⅝-5¾	9⅝-9 11/16	12⅜-12⅝	36-42	8⅞-9	12⅞-13⅛
Three months	17-17¼	9¾-10	11½-11⅞	10⅜-10⅝	5 11/16-5 13/16	9 7/16-9 9/16	12⅜-12⅝	29-32	9¾-9⅞	12 7/16-12 9/16
Six months	15⅞-16	9¾-10	11-11⅛	10⅜-10⅝	5⅝-5¾	8⅞-9	12⅜-12⅝	24-26	9⅞-10	11⅛-11¼
One Year	14½-14⅝	9¾-10	10¼-10⅝	10⅛-10⅜	5⅛-5¼	8¼-8 7/16	12½-12¾	21-23	9⅞-10	9⅝-9⅞

The following nominal rates were quoted for London dollar certificates of deposit: one-month 9.20-9.30 per cent; three-months 9.25-9.35 per cent; six-months 9.20-9.30 per cent; one year 9.30-9.40 per cent.

Long-term Eurodollar two years 10¾-11 per cent; three years 10⅞-11⅛ per cent; four years 11-11¼ per cent; five years 11⅛-11⅜ per cent; nominal closing rate. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

German rates firm

Short term money rates remained firm in Frankfurt yesterday reflecting shortages of day to day money after the month end. Seasonal transfers to the authorities, including employee's pension contributions, have meant that banks have had to resort to borrowing through the Lombard facility in order to gain sufficient funds. Call money yesterday was quoted at 10.30-10.60 per cent, sharply firmer than Monday's level of 10.20-10.40 per cent. One-month money was also firmer at 10.10-10.30 per cent compared with 9.90-10.10 per cent. Longer term rates were mostly easier, with one-year money lower at 8.75-9.00 per cent against 9.10-9.30 per cent previously.

There was some speculation in the market that the Bundesbank may take measures to ease the shortage, such as further use of the pension swap facility.

In Paris call money remained at 12¼ per cent with longer term rates also showing little change.

In Brussels interest rates continued to decline after last week's cut in the discount rate. One-month Treasury bills were cut to 14 per cent from 14¼ per cent, while the rate on four-month bond fund paper was lowered to 13.65 per cent from 14 per cent. Two and three-month Treasury certificate rates were unchanged.

UK MONEY MARKET

Further shortage

Bank of England Minimum Lending Rate 17 per cent. (since November 15, 1979)

Day-to-day credit remained in short supply in the London money market yesterday and the authorities gave assistance on an extremely large scale. This comprised moderate purchases of Treasury bills from banks and discount houses, and small purchases of local authority bills all from the discount houses. The authorities also bought a moderate number of commercial bills for resale at a fixed future date. The help was made up with moderate loans to five or six houses at MLR for repayment today. The market was faced with moderately run down balances brought forward by banks and a small net take up of Treasury bills to finance. There was also a small increase in the note circulation and a small excess of revenue transfers to the Exchequer over Government disbursements.

In the interbank market, overnight loans opened at 19-19¼ per cent and rose to 20-22 per cent before coming back to around 19 per cent. However, later in the morning rates touched 30 per cent but eased during the afternoon to close at 15 per cent.

GOLD

Further rise

Gold continued to improve in the London bullion market yesterday, closing $9 an ounce higher at $659-662. Renewed demand pushed the metal from an opening level of $649-652 to a high of $665 during the morning in active trading, and it maintained its higher level despite some small profit taking later in the day.

In Paris the 12½ kilo bar was fixed at FFr 86,350 per kilo ($656.54 per ounce) compared with FFr 86,000 ($653.40) in the morning and FFr 85,690 ($652.12) on Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 37,330 per kilo ($658.01 per ounce) against DM 37,480 ($662.53) previously, and closed at $659-662 compared with $652-655 an ounce on Monday.

In Zurich gold finished at $660-663 against $652-655 previously.

	July 1		June 30	
Gold Bullion (fine ounce)				
Close	$659-662	(£279-280½)	$650-653	(£275¾-277¼)
Opening	$649-652	(£275½-277)	$653-656	(£277-278½)
Morning fixing	$656	(£278.143)	$662.50	(£280.780)
Afternoon fixing	$660	(£279.543)	$653.50	(£277.106)
Gold Coins				
Krugerrand	$679-682	(£288-290)	$666½-669½	(£283-285)
Mapleleaf	$677-680	(£286-288)	$664½-667½	(£281½-283½)
New Sovereigns	$167¾-168¾	(£71-72)	$164½-166½	(£69¾-70¾)
King Sovs	$185-188	(£78-80)	$182-185	(£77¼-78¾)
Victoria Sovs	$185-188	(£78-80)	$182-185	(£77¼-78¾)
French 20s	$161-164		$157-160	
50 pesos Mexico	$815-819		$805-810	
100 Cor. Austria	$648-652		$638-643	
$20 Eagles	$758-762		$744-748	
$10 Eagles	—		—	
$5 Eagles	—		—	

LONDON MONEY RATES

July 1 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Over night	—	18-30	—	—	—	—	15½-17	—	—	—
2 days notice	—	—	18½-18¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	18¼-18½	18½-18¾	—	18⅛	18½	16⅞-17	—	—	—
One month	17 11/16-17⅝	17 11/16-17⅞	17⅝-17⅞	18⅜-18¾	18 1/16	18⅛-18⅜	16¾	15 15/16	17⅜	18
Two months	17 5/16-17 3/16	17⅝-17½	—	17¼-17¾	17 11/16	—	16⅝	15⅞	16 11/16-16⅞	17⅜
Three months	17-16⅞	17-17⅛	17⅛-17¼	17-17⅛	17⅜	17⅝	16⅛	15 13/16	16¼-16 5/16	16¾
Six months	15⅝-15½	15 11/16-15 9/16	15¾	15½-15⅝	16	16½	—	—	14 9/16-14⅝	15¼
Nine months	14⅝-14½	14 11/16-14 9/16	—	15⅛-15⅛	15⅛	15¾	—	—	—	—
One Year	14⅛-13 15/16	14¼-14⅜	14¼-14¾	14½-14¾	14¾	15¾	—	—	—	—
Two years	—	—	14-14⅝	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 13⅞-14⅛ per cent; four years 13¾-14⅛ per cent; five years 13 13/16-14⅛ per cent. ΦBank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15¾-15⅞ per cent; four-month trade bills 16⅞ per cent.

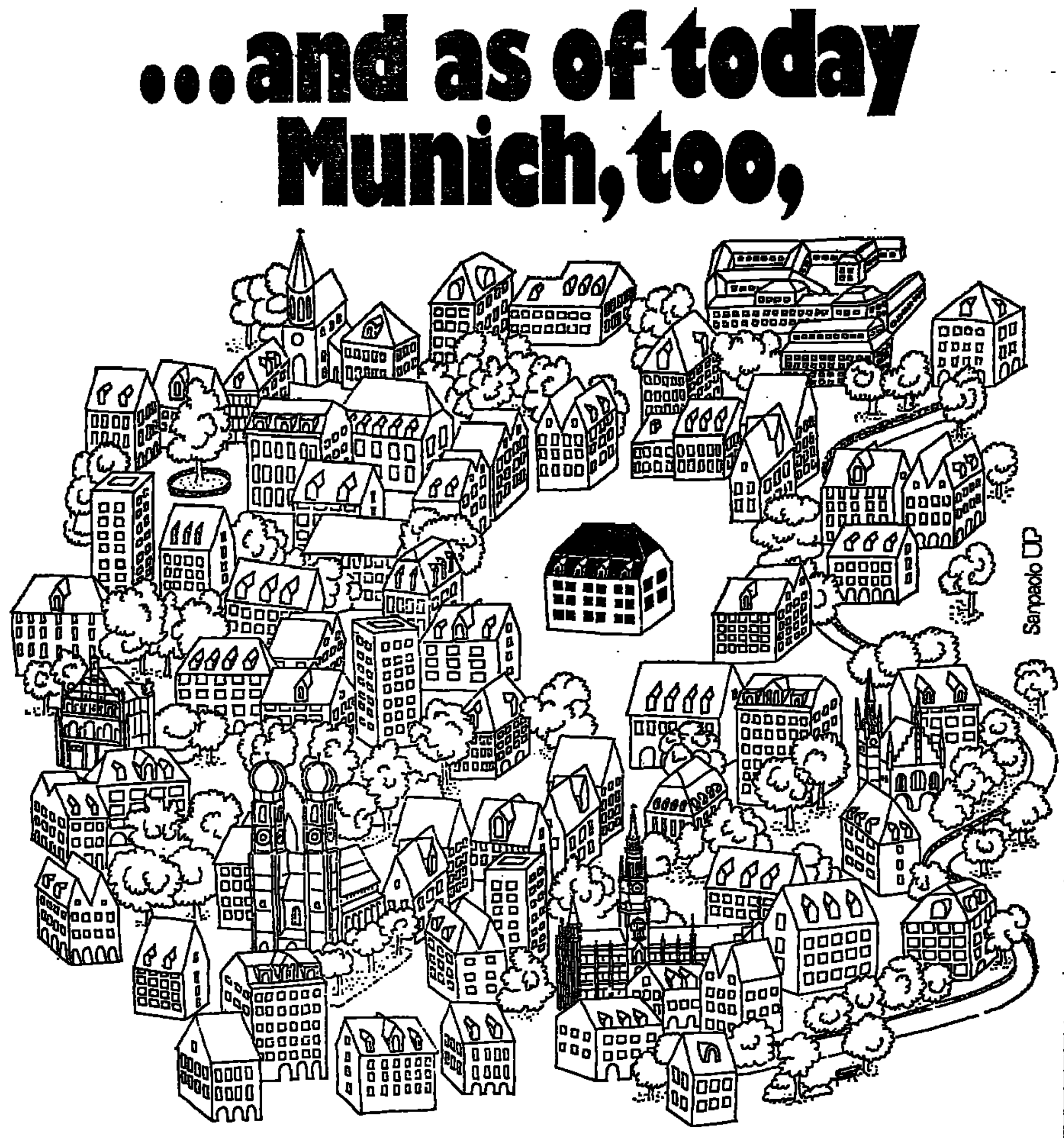
Approximate selling rate for one-month Treasury bills 15 13/32-15 27-64ths per cent; two-months 15⅞-15 35-64ths per cent; three-months 15 5/16 per cent. Approximate selling rates for one-month bank bills 17⅛-17¼ per cent; two-months 16 13/16-16⅝ per cent; three-months 16⅛-16 5/16 per cent; one-month trade bills 17¾ per cent; two-months 17⅜ per cent; and three-months 16½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17 per cent from July 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 15.3801 per cent.

MONEY RATES

NEW YORK	
Prime Rate	11½-12
Fed. Funds	9½-9¾
Treasury Bills (13-week)	7.96
Treasury Bills (26-week)	7.90
GERMANY	
Discount Rate	7.5
Overnight Rate	10.45
One month	10.20
Three months	9.90
Six months	9.375
FRANCE	
Intervention Rate	9.5
Overnight Rate	12.5
One month	12.3125
Three months	12.3125
Six months	12.0
JAPAN	
Discount Rate	9.0
Call (Unconditional)	12.6875
Bills Discount (three-month)	—

...and as of today Munich, too,



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Caja de Ahorros de Zaragoza, Aragon y Rioja (Cazar)
Crédit Lyonnais — Deutsche Bank Compagnie Financière Luxembourg
Dresdner Bank Aktiengesellschaft — Grindlay Brandts Limited
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Agent Bank
Banco Español de Crédito (Banesto)

June, 1980

WORLD STOCK MARKETS

Wall St. starts on mixed note

AFTER MONDAY'S steep decline, shares on Wall Street were mixed in moderate trading yesterday morning.

The Dow Jones Industrial Average, 1.19 firmer at 11 am, had slipped back by 1 pm, reaching 866.72, off 1.20 on Monday's close. Trading volume was 24.18m, compared with 20.42m by 1 pm on Monday. Declines just had the edge on advances. The NYSE All Common index was up 0.03 at $65.37.

Other sub-group indices reflected the mixed tone. Transport was up 0.22 to 273.72 at 1 pm, while Utilities were off 0.37 at 112.96. The Standard and Poors Composite index was up 0.11 at 114.35.

Analysts said traders were trying to decide whethe the long-awaited market correction had begun.

However, the moderate pace of trading indicated there was no rush to sell. Monday's turnover was the slowest in seven weeks. Analysts said institutional portfolio adjustments dried up with the end of the quarter.

Special situation issues, Precious Metal and Gaming shares provided most of the interest. Volume leader Esmark lost $2 to $46½. Late on Monday, Esmark indicated that the value of a proposed tender offer for its common would be less than Wall Street had expected.

Pullman rose $2¼ to $30⅞, also after a later start. Analysts said the action suggested Wall Street is looking for a better offer than the $28 J. Ray McDermott will bid for 2m Pullman shares. McDermott slipped $⅛ to $27½ in active trading.

Also active, Caesars World eased $⅛ to $17 but Holiday Inns gained $⅛ to $21. Bally Manufacturing gained $¼ to $27½ and Playboy $⅜ to $16⅜. On the American Exchange, Golden Nugget added $⅛ to $29¾ but Resorts International "A" eased $¼ to $36½.

Oils recovered from weakness yesterday. Active Mobil gained $1½ to $72¼, Exxon $⅞ to $67¼, Superior Oil $1½ to $162, Gulf Oil $⅞ to $40⅞ and Halliburton $1 to $110¼.

Warner-Lambert added $⅞ to $19⅞. It received Food and Drug Administration approval to sell a new anti-arthritis drug.

Lockheed rose $⅞ to $24⅜ though talks to sell $300m worth of L-1011 jets to TAP, the Portuguese Airline, are stalled.

Light Electricals were firm. Centronics Data rose $1⅛ to $40⅞, Motorola $⅞ to $49, National Semiconductor $1⅛ to $24⅞, and Computervision $1¼ to $55⅞.

Chessie System added $1 to $33⅛ after reporting slightly higher second quarter net. Norfolk and Western gained $1⅛ to $33⅛ and Missouri Pacific $⅞ to $60⅛.

THE AMERICAN S.E. Market Value Index at 1 pm was up 0.16 at 293.77. Volume was 2.73m (3.18m).

Closing prices for North America were not available for this edition.

Tokyo

Share prices closed sharply lower on profit-taking and liquidation with investors cautious because of recent high levels, dealers said.

The Nikkei Dow Jones Average fell 46.35 to close at 6,824.35 on volume of 450m shares. The Tokyo SE index closed at 469.95, down 2.82.

Recently favoured Blue Chips and Popular issues led the fall with Sony shedding Y10 to Y2,230, Nippon Oil down Y50 to Y1,680, Nissan Motor Y12 to Y673 and Canon Y14 to Y632.

Big-capital issues also fell sharply on liquidations, with Nippon Steel falling Y3 to Y131, Sumitomo Metal Industries Y3 to Y148, Hitachi Y4 to Y286 and Ishikawajima Harima Y5 to Y148.

Mitsubishi Electric fell Y4 to Y194 following interim results, but Speculatives and some low-priced issues closed higher.

The second market closed lower with volume 5.5m shares.

Australia

Heavy demand for gas stocks underpinned a firm trend yesterday as traders took positions at the start of the new financial year.

Vamgas, a partner in the Dullingari No. 1 well in South Australia's Cooper Basin, rose A$1.20, while partner Santos added 40 cents to A$14.50.

Strata Oil, which reported on Monday that its Woodada No. 1 well was flowing at a daily rate of 32.4m cu ft, firmed 10 cents to A$2.20.

Strata associate Northwest Mining rose 40 cents to A$2.66, while in the Shale Oil sector, Esperance gained 90 cents to A$4.10 and Greenvale 70 cents to A$3.50.

Markets in Canada and Hong Kong were closed yesterday.

WMC, among the most active stocks with a turnover of 629,012 shares, closed 10 cents up at A$5.50. Among other leading Miners, CM Gold rose 40 cents to A$11.50, Peko-Wallsend 30 cents to A$8.30, North Broken Hill 5 cents to A$3.55 and MIM 18 cents to A$4.68.

Among Industrials, BHP rose 5 cents to A$15.15. Banks and Breweries were mixed and Building Materials firm.

Gold shares rose sharply after an easier opening following the gold price in fairly active trading.

Some issues closed below the highs and a few counters eased. Gains stretched to R1.75 cents in the case of Vaal Reefs and Winkels at R78.75 and R38.75 respectively and most Heavyweights rose more than R1, while Kloof fell 50 cents to R35.50 and Marievale 5 cents to R6.25.

Financials firmed, De Beers gained 25 cents to R11.10, and Industrials rose.

Germany

An influx of foreign orders stimulated the share market yesterday after its nervous and weaker start, and the Commerzbank index rose 0.40 to 724.20.

AEG rose sharply, gaining as much as DM 5 before falling back slightly to close DM 4.10 up at DM 84.10, with sources citing confidence in the new management as the prime reason for the share's firmness.

Other noteworthy movements came in Automobiles, where Daimler showed a DM 6 gain and in Stores where one buying order led to a DM 3.30 rise in Horten.

In Engineerings KHD made up most of its DM 7 dividend payments from yesterday and closed DM 6.00 higher at DM 210.50. Mannesmann continued its recent firmness, putting on DM 5.50 with subsidiary Demag up DM 5.00, while Linde shed DM 0.50 against the trend.

BASF led Chemicals up DM 2.20 and Dresdner put on DM 1.50 in higher Banks.

On the domestic bond market public authority loans were mostly steady and the Bundesbank bought DM 2.3m net of paper after sales of DM 2.2m yesterday.

Paris

The market tended weaker in moderate trading reflecting Wall Street's downward trend.

All sectors were weaker except Metals and Stores which were mixed, and Rubbers which were steady.

Peugeot, which yesterday announced plans for production cuts in its automobiles Peugeot division, shed FFr 4.9 to FFr 254.5.

Schneider, which announced a return to group profit in 1979, gained FFr 1.5 to FFr 159.

Among foreign stocks Americans, Dutch, Oils and Coppers weakened while Germans and Gold Mines were mixed.

Switzerland

Share prices closed easier on profit-taking following Monday's decline on Wall Street.

Swissair, Brown Boveri, Nestle, and Sulzer fell in mixed leading Industrials. Shares of major Department Stores rose.

Indices

NEW YORK —DOW JONES

	June 30	June 27	June 26	June 25	June 24	June 23	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
♦ Industr'ls	867.92	861.85	865.45	887.54	877.30	873.81	903.84 (13/2)	759.15 (21/4)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	74.97	75.35	75.64	75.89	76.15	76.61	76.61 (23/6)	63.87 (28/3)	—	—
Transport	273.50	275.96	276.12	275.39	271.62	269.75	305.80 (8/2)	232.69 (27/3)	305.80 (8/2/80)	12.23 (8/7/32)
Utilities	113.33	114.60	114.64	114.82	114.26	115.93	115.37 (18/6)	96.04 (27/3)	163.32 (20/4/69)	10.52 (28/4/42)
TradingVol 000's	30,130	33,11	46,115	46,500	37 750	54,180	—	—	—	—

♦ Day's high 880.89 low 864.35

Ind. div. yield %	June 27	June 20	June 13	Year ago (approx
	5.99	6.07	6.02	5.72

STANDARD AND POORS

	June 30	June 27	June 26	June 25	June 24	June 23	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	128.34	130.46	130.68	131.35	129.40	128.68	134.47 (13/2)	111.09 (27/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	114.24	116.00	116.19	116.72	115.14	114.51	118.44 (13/2)	98.22 (13/3)	125.85 (11/1/73)	4.40 (1/6/32)

	June 25	June 19	June 11	Year ago (approx
Ind. div. yield %	4.99	5.22	5.12	5.27
Ind. P/E Ratio	7.79	7.75	7.75	7.94
Long Gov. Bond Yield	9.77	9.55	9.75	8.75

N.Y.S.E. ALL COMMON

June 30	June 27	June 26	June 25	1980 High	1980 Low
65.34	66.34	66.44	66.72	67.77 (13/2)	55.30 (27/3)

Rises and Falls	June 30	June 27	June 26
Issues Traded	1,870	1,886	1,887
Rises	357	663	683
Falls	1,176	782	826
Unchanged	337	442	378
New Highs	25	27	60
New Lows	2	2	2

	July 1	June 30	June 27	June 26	1980 High	1980 Low
AUSTRALIA						
Sydney All Ord. (1/5/5 35)	911.24	905.97	898.64	838.57	947.47 (14/2)	760.00 (2/1)
Metals & Mins (1/5/5 35)	5662.28	5740.56	5680.81	5634.89	6680.95 (14/2)	4581.26 (28/3)
AUSTRIA						
Credit Aktien (2/1/62)	67.57	67.67	67.44	67.42	69.40 (7/1)	66.85 (23/6)
BELGIUM						
Belgian SE (31/12/63)	95.08	95.63	96.02	95.85	105.75 (11/2)	90.14 (31/3)
DENMARK						
Copenhagen SE (1/1/73)	80.89	80.21	79.91	79.61	86.74 (2/1)	74.78 (5/3)
FRANCE						
CAC General (29/12/61)	107.90	109.4	110.4	110.5	117.60 (22/8)	97.1 (5/1)
Ind Tendance (28/12/79)	107.60	106.70	109.1	108.0	103.70 (13/2)	85.60 (6/1)
GERMANY						
FAZ-Aktien (31/12/58)	230.71	230.59	229.25	230.45	238.69 (25/2)	212.73 (28/3)
Commerzbank (Dec. 1953)	724.20	723.8	720.4	724.9	749.2 (25/2)	667.0 (27/3)
HOLLAND						
ANP-CBS General (1970)	82.9	85.7	83.9	84.1	87.0 (11/2)	74.0 (27/3)
ANP-CBS Indust. (1970)	61.5	62.1	62.3	63.1	68.2 (11/1)	58.2 (28/3)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	1066.84	1041.45	1026.59	1055.64 (30/6)	768.9 (19/3)
ITALY						
Banca Comm. Ital (1972)	103.69	101.91	104.21	106.65	107.74 (20.5)	85.11 (2/1)
JAPAN						
Dow Average (16/5/49)	6324.35	6870.70	6825.96	6800.55	6904.81 (25/4)	6475.96 (27/3)
Tokyo New SE (4/1/68)	469.95	472.77	470.44	470.15	473.55 (25/6)	449.01 (10/3)
NORWAY						
Oslo SE (1/1/72)	126.89	127.85	128.16	127.14	144.70 (14/2)	110.12 (28/3)
SINGAPORE						
Straits Times (1966)	544.26	545.85	544.58	538.29	551.20 (25/6)	429.75 (3/1)
SOUTH AFRICA						
Gold (1958)	(u)	699.4	700.7	699.4	700.7 (27/6)	649.5 (13/6)
Industrial (1958)	(u)	542.5	539.9	537.4	542.5 (30/6)	456.0 (29/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

CANADA

Stock	June 30	June 27
Abitibi	18⅝	18½
Agnico Eagle	14¾	14¾
Alcan Alumn.	31⅛	31¼
Algoma Steel	32⅛	32⅛
Asbestos	35	35
Bk Montreal	27¾	27⅝
Bk Nova Scotia	30¼	30⅜
Basic Resources	15½	16¼
Bell Canada	20⅜	20¼
Bow Valley	19	19½
BP Canada	44¼	44
Brascan A	27¼	27¼
Brinco	7¾	7½
B.C. Forest	13⅞	14
Cadillac Fairy	20½	20
Camflo Mines	26⅞	25⅝
Can Cement	12¼	12½
Can NW Lands	22⅛	22⅛
Can Packers	30¾	30½
Can Perm Mtg	18⅝	18½
Can Trustco	26	26⅝
Can Imp Bank	26⅜	26¼
Cdn Inds	25¾	25⅝
Cdn Pacific	38⅞	40
Can. P. Ent	21⅝	22
Cdn Tire	26	26
Cherokee Res	13⅝	12¾
Chieftain	23½	24¼
Cominco	57¼	57⅜
Cons Bathst A	14⅝	14⅝
Coseka Res	23⅛	23½
Costain	8¾	9
Daon Devel	7¾	8
Denison Mines	43	42¾
Dome Mines	113	112
Dome Petroleum	85	87⅛
Dom Bridge	17¼	17⅜
Dom Foundries A	33¾	33¾
Dom Stores	17⅝	17½
Domtar	24	24¼
Falcon Nickel	99	99
Genstar	29⅝	30⅜
Gt-West Life	150	150
Gulf Canada	33	33¼
Gulfstream Res	6⅞	6.87

BELGIUM (continued)

July 1	Price Frs.	+ or −
Petrofina	5,050	−90
Royale Belge	5,610	
Soc Gen Banq	2,410	
Soc Gen Belge	1,472	−28
Sofina	3,280	−20
Solvay	2,765	−5
Traction Elect.	2,500	
UCB	1,280	+2
Union Miniere	720	−14
Vieille Mont	1,350	−10

DENMARK

July 1	Price Kroner	+ or −
Andelsbanken	108	
Baltica Skand	305½	+10.5
Burm & Wain	51.5	+2.75
Cop Handelsbnk.	102.75	
D Sukkerfab.	247	+3.25
Danske Bank	100.75	
East Asiatic	103.75	+0.25
Finansbanken	141.75	+0.25
Forenede Brygg.	240	+3.75
Forende Dampsk	184	+1.5
GNT Hldg	167	
Nord Kabel	151	+4
Novo Ind.	301.75	+6.25
Papirfabrikker	110	+3
Privatbanken	106.50	
Provinsbanken	105	
Smidth (FL)	244	−2
S Berendsen	394	+6
Superfos	103.25	+1.25

FRANCE

July 1	Price Frs.	+ or −
Emprunt 4½% 1973	2,428	+43
Emprunt 7% 1973	6,250	
CNE 3%	3,660	−46
Afrique Occid.	367	−3
Air Liquide	411.5xr	−13.5
Aquitaine	1,298	−22
Au Printemps	119.7	−0.3

HOLLAND

July 1	Price Fls.
ACF Holding	66
Ahold	61.5xd
AKZO	23
ABN	289
AMEV	81.8
AMRO	64.8
Bredero Cert.	175
Bos Kalis	83.2
Buehrmann-Tet	63.7
Caland Hldgs	22.7
Elsevier	214xr
Ennia	134.5
Euro Com Tst	67.50
Gist. Brocades	36.3
Heineken	65.5xd
Hoogovens	16.6
Hunter Douglas	15.9
Int-Mueller	23.2
KLM	68
Naarden	14.7
Nat Ned Cert.	110.3
Ned Cred Bank	56.4
Ned Mid Bank	232
Nedlloyd	85
Oce Grinten	109.8
OGEM	10.1
Ommeren (Van)	21.3
Pakhoed	38.7
Phillips	17.3
Rijn-Schelde	40
Robeco	170.8
Rodamco	103.5
Rolinco	159
Rorento	112.5
Royal Dutch	164xd
Slavenburg's	207xd
Tokyo Pac Hg	159
Unilever	116.5
Viking Res	97
VMF-Stork	34.5
VNU	80.1
Volker-Stevin	45.
West Utr Bank	231.4

ITALY

NEW YORK

AUSTRALIA

JAPAN

HONG KONG

SINGAPORE

SOUTH AFRICA

BRAZIL

NORWAY

SWEDEN

SWITZERLAND

GERMANY

AUSTRIA

BELGIUM/LUXEMBOURG

NEW YORK ACTIVE STOCKS

COMMODITIES AND AGRICULTURE

Recovery in cocoa and coffee

By Our Commodities Staff

RECENT DECLINES in London's coffee and cocoa futures markets were reversed yesterday as technical support buoyed up prices. The September coffee price ended the day £17.5 higher at £1,490 a tonne while September cocoa gained £16 to £1,052.5 a tonne.

Coffee dealers said their market appeared to have become oversold in Monday's sell-off which wiped £86.5 off the September price. This had been encouraged by warmer weather over the weekend in Brazil which had tended to relieve fears that a damaging frost was imminent.

The rise in cocoa, which ended a run of four consecutive daily falls which had trimmed £88 off the price, was also linked to an oversold situation, dealers said.

In addition they pointed to signs of a slight recovery in consumption and continued tightness of supplies available for early delivery as possible influences on the market.

An early rise was quickly reversed, but the failure of prices to move below Monday's four-year lows encouraged a stronger tone in the afternoon.

Malaysia boosts spice growing

LABUAN, MALAYSIA—Malaysia's eastern state of Sabah is to begin large scale cultivation of spices, the general manager of the Rural Development Corporation, Ali Es said.

The corporation has been allocated 82m ringgit for its agricultural programme and is concentrating on pepper, ginger, cardamon, capsicum and cashew nut, Mr. Ali said.

There are now about 400 acres under pepper in Sabah and the corporation plans to increase this to 20,000 acres by 1990.

Meanwhile in Sarawak total exports of pper in 1979 rose to 36,118 tonnes from 30,780 tonnes in 1978, the Pepper Marketing Board said.

The total figure was above the former record of 35,409 tonnes reported in 1976 and this was due to favourable weather that accounted for a second flowering and the generally lower incidence of disease, it added.

Reuter

Copper up as U.S. strike starts

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER prices jumped on the London Metal Exchange yesterday following confirmation that U.S. workers had gone on strike when their labour contracts expired at midnight on June 30.

However, after an initial upsurge, the market came back sharply in late trading shedding some of the early gains. Cash wirebars closed £18.5 up at £888 a tonne, but moved lower in late kerb dealings after having touched £897 at the end of the morning.

The three months quotation closed £12.75 higher at £912.5 a tonne, but fell to £900 in later dealings.

The possibility of a strike has already been discounted to a large extent, and the main concern now is how long it will last.

It is felt that there are adequate supplies to last for two or three months without the stoppage having much impact on industry, especially in view of the low level of demand added to the normal seasonal quiet period during the summer months.

Nevertheless, the U.S. is the biggest world producer of copper. Mine production is around 1.3m tonnes out of a total world output of 8.1m tonnes—the Soviet Union is the second biggest producer. The U.S. is an even more important producer of refined copper with an output of over 1.8m tonnes annually against world total of 9.2m.

It is difficult to judge at this stage how long the strike is likely to last. Cass Alvin, speaking for the union, commented: "I'm looking down the tunnel and I can't see any light."

He said no further talks were planned, but the two sides remained in contact. Significantly, perhaps, Mr. Alvin commented that the industry was riddled with strikes that normally lasted between four to six weeks every three years when labour contracts are renegotiated. Many London traders believe that the stoppage will last for only about six weeks.

The unions, representing some 40,000 workers, are understood to be seeking similar pay rises of between 37 to 43 per cent won recently by U.S. aluminium and steel workers. But the copper companies claim they are different industries, and negotiations broke down over cost of living allowance payments.

Meanwhile U.S. copper companies were quick to react in putting up their domestic selling prices by 3 cents to 97 cents a lb.

Mining deal signed to boost Guyana bauxite production

BY ROY HODSON

AN £11M INVESTMENT is to be made to hasten the exploitation of Guyana's bauxite resources.

Enterprise Guymine has signed a contract in Georgetown with Green Construction for a new strip mining programme. The deal calls for the removal of 10m cubic yards of overburden to reach ore deposits within a period of 20 months.

Guymine has been suffering from bottlenecks in bauxite production in recent years because the stripping programme has not been able to keep up with demand for the ore beneath.

Production dropped to 30-35 per cent of mining capacity. Guymine's export potential and the Guyana government's economic recovery programme had been severely affected.

The fresh attack upon the overburden is designed to widen the time gap between the stripping and mining of bauxite. The target will be a normal period of 18 months between stripping and mining. Recently the gap has narrowed to nil at times in Guyana.

The restoration by the Bonneville Power Authority in North West U.S. of some interruptible power for aluminium smelting has enabled Alcoa to restart 21,000 tonnes of annual smelter capacity at Wenatchee, Washington State. The smelter is now working at its full production capacity of 210,000 tonnes a year.

One of the five pot-lines at the smelter was shut last December because of the power shortage. Half the line was restarted earlier this month and the remaining half was restored yesterday.

Meanwhile Kaiser Aluminium is to close one of its eight refractory linings plants because of a decline in the market for the product.

The Frostburg, Maryland, plant is to close in August and be converted to a shipping point for Kaiser's eastern U.S. markets.

Stockpile fears hit tin

CASH TIN fell by £80 to £7,245 a tonne on the London Metal Exchange as a result of nervous selling prior to the start of the new U.S. stock pile tin selling programme yesterday.

The market is anxiously awaiting the result of the first offer of 500 tons of stockpile tin, to be sold under a new method of sealed bids. The offerings are scheduled to be held on a fortnight basis with the objective of selling 30,000 tons of surplus stockpile tin over the next three years at the rate of 10,000 tons a year.

It is felt the result of the first offer will give an idea of the strength of demand, and the kind of price level at which the General Services Administration is prepared to sell.

The flow of stockpile tin supplies on to the U.S. market is expected to help relieve the shortages that have been such a regular influence on tin prices during the past few years. Yesterday's fall brought the cash tin back down below the three months quotation, which was unchanged in quiet trading.

UK companies in desert project

A GROUP of UK companies has launched a joint project with the Egyptian government to transform a large stretch of arid desert into productive farmland.

The £280m plan centres on 100,000 acres of desert in west Nubaria and will involve the resettlement by the Egyptian Government of more than 8,000 Egyptian families.

Half the area will be used for the establishment of estate farms and processing factories operated by commercial interests, with the rest divided into smallholdings of about six acres.

The UK companies are British Sugar Corporation, Booker McConnell, Tate and Lyle, Agri-Business, Guinness Peat (Overseas) and Tarmac Overseas. Morgan Grenfell have been appointed financial advisers to the group.

Focal point of the whole project will be a 30,000 acre sugar beet crop serving a modern sugar factory.

Other agro-industrial ventures planned include the cropping of onions and tomatoes with dairy and beef production. The smallholdings will produce vegetables and fruit.

Following a feasibility study last year, financed under Britain's aid programme to Egypt, the group of British Companies has signed an agreement with the Egyptian Ministry of Development, Housing and Land Reclamation to work together on a full financial appraisal and a detailed technological and commercial implementation plan. This will be completed in September.

Sugar beet growing trials undertaken by Beet Sugar Developments, a subsidiary of the British Sugar Corporation, have been going on in the area since 1977 with encouraging results.

SPAIN'S EEC ENTRY

Allaying Market fears of farm dumping

BY A CORRESPONDENT

TEMPERS THAT flared recently as French farmers destroyed farm produce entering their country from Spain were merely the tip of an iceberg. The same, if soberer, sentiments remain.

Anxiety over the prospect of Spain's entry into the EEC, originally projected for the late 1970s but now expected in three or more years' time, has been claiming attention in quarters more responsible than those whose answer to competition is violence.

The Brussels-based organisation Agra-Europe recently warned that when Spain joins the EEC the Community will be flooded with products whose cheapness and volume could harm agricultural economies within the EEC. For 18 months a working party of COPA, which embraces European farming organisations, has been conducting a study of the implications of Spanish accession to the Market, concentrating on present farm output in Spain and that planned for the future, especially in the light of extensions to the country's irrigation system.

In 1978, the latest year for which Spanish statistics are available, farm exports rose by 20 per cent and formed a fifth of the country's sales abroad, almost half of them to the EEC.

Spanish agricultural exports comprise chiefly wine, fruit, vegetables and — Italy's particular thorn — olive oil. Such items account for some 20 per cent of France's farm output and 34 per cent of Italy's, though the latter's vulnerability is less than the percentage suggests, Spanish exports being only lightly established there.

The Spaniards argue that while 20 per cent of European farm production stands to suffer from their accession, for 40 per cent of it the lowering of tariffs would permit more sales to Spain — especially of dairy products, sugar, pigmeat and grains.

Inflation and other factors that hinder forecasting mean that COPA's anxieties are not easily quantified, yet are real enough to have prompted recommendations to the EEC Commission — foremost among which is that Spain's entry be spaced over a transitional period of 15 years, with five-yearly reviews.

It is further being demanded, possibly with some awareness of Britain's success in moulding the Community to its will, that Spain stick strictly to EEC regulations from the outset and have dispensed fully with state subsidies before accession.

Tomatoes are one of Spain's most sensitive exports, and Spain will welcome the day when they cease to attract in Britain, their largest outlet, a duty that jumps each year from 11 per cent to 18 per cent on May 15, with an effect on trade after that date that is, as one Spanish merchant put it, "pretty inhibiting."

When Spain is as entitled as any other member to dip into regional funds for both economic and social purposes, Spanish agriculture can be expected to receive a lift at its least efficient end, thus negating some of the advantages that make her entry look fearsome.

Part of the fear, in any case, assumptions as that of a peasant economy that no longer exists, Spanish labour costs today being as high as anywhere in Europe. As the shortage of agricultural manpower worsens, Spanish farming will equip itself with machinery which, mostly made or designed abroad, will impart to its production the kind of costs prevailing in the rest of Europe and further blunt its competitiveness.

Climate and geography give Spain obstacles where summer trade is concerned, with distance emphasising transport costs that have risen tenfold within a decade. Temperatures and highway congestion also raise the price of sending produce to northern markets by a margin that goes far towards defraying the advantages enjoyed in winter.

Far from being guilty about under-cutting when Community membership arrives, Spain will be more concerned about over-pricing, which has already excluded from UK markets some products, including certain canned fruits.

Spanish negotiators know that agriculture is the EEC's chief headache. They also know that the abandonment of steep tariff protection for manufacturing is the price of freedom for their farm goods to enter the EEC. For such freedom, they argue, the price is ample.

Stand on extra Community milk tax

BY OUR COMMODITIES STAFF

DAIRY FARMERS in the south-west of Britain want the Milk Marketing Board to stop deducting the EEC prouction tax from their milk cheques so that they can withhold payment in protest at the quadrupling of the tax.

At this year's Common Market farm price fixing it was agreed to raise the tax from 0.5 per cent to 2 per cent in a bid to discourage excess production. This rise in the so-called "co-responsibility levy" will cost the south-western farmers' an extra £6m a year, they claim. And they see this extra burden as unfair because Britain does not produce more milk than it consumes while some small farmers in EEC countries which do contribute to the surplus are exempted from the levy altogether.

Leaders of the six county branhces of the National Farmers' Union representing south-western farmers plan to ask the Milk Board to invoice their members separately when the higher levy comes into force. This would not involve breaking any rules or laws, they caim, but it would give individual producers the opportunity to decide not to pay the extra. A test case might then be taken up with the NFU's support.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Gained ground on the London Metal Exchange but finished well below the day's highest levels. Reports that U.S. copper workers had struck saw forward metal move up from £910 to £916 before easing back to £910 on the pre-market, as U.S. buying was met by profit-taking. On the morning kerb the price rose afresh to touch £921 in anticipation of a strong opening on Comex. This proved correct and three months edged up to £921 but failed to hold this level as renewed profit-taking pared the price to £909 by the close of the late kerb. In late inter-office dealings forward metal fell further to trade around the £900 level. Turnover: 23,600 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	896-7	+37.2	888-9	+18.5
3 months	917.5-8	+29	912-3	+13.7
Settlem't	897	+37.5	—	......
Cathodes				
Cash			862-4	+18.5
3 months	888.5-9.5	+35.5	887-9	+12.5
Settlem't	891-3	+27	—	......
U.S. Prod	869.5	+35.5	*88-90	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £896, 97, 96.5, three months £919, 20, 21, 22, 20, 19, 18, 17, 18, 17.5. Cathodes, cash £869, 68, three months £894, 93. Kerb: Wirebars, three months £917, 18, 17.5, 17. Afternoon: Wirebars, cash £888, three months £918, 17, 16, 14.5, 14, 15, 14.5, 14, 13. Cathodes, cash £862, three months £887. Kerb: Wirebars, three months £908, 7, 6, 7, 8, 9, 10, 09.

TIN—Easier following hedge selling and liquidation of cash metal which eliminated the backwardation and established a £40 contango. The heavy selling of cash metal represented nervous liquidation concerning the first sale of stockpile tin from the GSA. Three months metal opened the morning at £7,310 and traded quietly until the afternoon when it dropped to close the late kerb at £7,285 on hedge selling. Turnover: 855 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7320-30	—28	7240-50	—80
3 months	7300-15	......	7290-305	......
Settlem't	7330	—80	—	......
Standard				
Cash	7300-5	—42.5	7240-50	—80
3 months	7280-90	......	7270-80	—1.5
Settlem't	7305	—45	—	......
Straits E.	$2150	......		......
NewYork	—	......		......

Morning: Standard, cash £7,310, three months £7,310, 7,300, 7,295, 90, 85. Kerb: Standard, three months £7,285. Afternoon: Standard, three months £7,280, 70. Kerb: Standard, three months £7,270, 65, 70.

LEAD—Lower on balance. Forward metal rose sharply during the morning and touched £358, reflecting the strength of copper which prompted fresh buying and stop-loss buying. However, the afternoon downturn in copper coupled with U.S. hedge selling pared the price to £341.5 prior to a close on the kerb of £345. Turnover: 17,025 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	341-2	+11	334.5-5.5	—2
3 months	347-8	+7.25	341.5-2.5	—5.5
S'ment	342	+11	—	......
U.S. Spot	—	......	*36-40	......

Morning: Cash £342, 41, three months £352, 50, 49, 48, 47, 48. Kerb: Three months £347, 48, 47. Afternoon: Three months £347, 49, 50, 49, 48, 47, 47.5, 47, 48, 47, 46, 44, 43, 42. Kerb: Three months £342, 43, 45, 44, 43, 42, 43, 45, 46, 45.

ZINC—Gained ground in the wake of the other metals. Three months metal moved up gradually to touch £320 in the afternoon rings before easing on profit-taking to close the late kerb at £317. Turnover: 8,900 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	305-6	+13.5	305.5-4.5	+8
3 months	317-8	+15.2	316.5-7	+8.25
S'ment	306	+15	—	......
Primw'ts	—	......	*35.5	......

Morning: Cash £304.5, 5, three months £318, 17, 16, 17. Kerb: Three months £317, 16.5. Afternoon: Three months £318, 19, 20, 19, 17. Kerb: Three months £316, 17.

ALUMINIUM—Barely changed on balance. Forward metal moved ahead strongly during the morning and touched £726 reflecting sizeable speculative demand. However, this was met by trade selling and the price dipped to close the late kerb at £720, after £717. Turnover: 9,750 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	732-3	+8	725-7	—1.5
3 months	724-.5	+8.75	720-1	+4

Morning: Three months £725, 24, 25, 26, 25, 25.5, 25, 24.5. Kerb: Three months £724.5, 25. Afternoon: Three months £723, 22.5, 21, 20.5. Kerb: Three months £720, 20.5, 21, 20, 17, 18, 19, 20, 19, 18, 19.

NICKEL—Firmer in active trading as fresh buying triggered stop-loss buying and lifted three months to £2,880 on the pre-market. This level brought out influential selling and profit-taking which pared the price to £2,840 in the morning rings. In the afternoon the market moved ahead afresh to close the late kerb at £2,870. Turnover: 672 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2820-30	+70	2810-25	+57.5
3 months	2867-70	+76	2860-5	+56.5

Morning: Three months £2,840, 45, 50, 60, 65, 69. Kerb: Three months £2,870. Afternoon: Three months £2,865, 60. Kerb: Three months £2,860, 70.

SILVER

Silver was fixed 14.9p an ounce higher for spot delivery in the London bullion market yesterday at £7.243. U.S. equivalents of the fixing levels were: spot $17.101, up 35c; three-month $17.46, up 32c; six-month $17.889, up 30c; and 12-month $18.691, up 31c. The metal opened at £7.05-£7.20 ($16.65-16.95) and closed at £7.10-£7.25 ($16.75-17.05).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffici'l	+ or —
Spot	723.30p	+14.9	711p	+8
3 months	753.30p	+14.8	740.5p	+8
6 months	776.30p	+14.7	—	......
12months	823.90p	+21.2	—	......

LME—Turnover 229 (153) lots of 10,000 ounces. Morning: cash 721, 20.5, 20, three months 754, 52, 53, 52, 51, 50.5, 51. Kerb: three months 751. Afternoon: three months 744, 45, 44, 43, 38. Kerb: three months 741, 44, 45.

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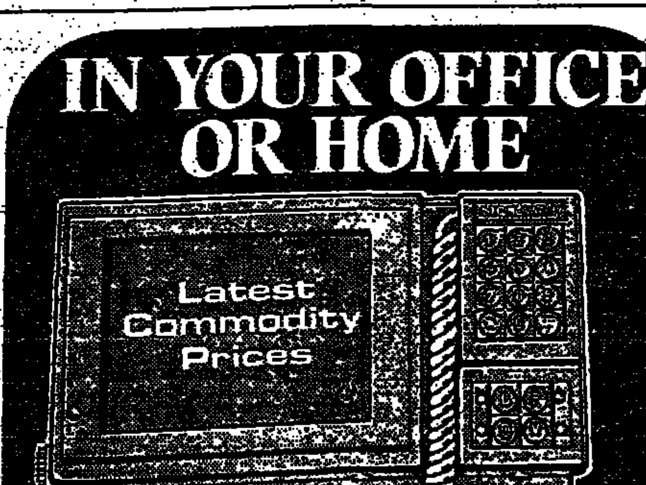

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A NEW SERVICE FROM INTER COMMODITIES

COCOA

Falling to open at the anticipated lower levels futures in fact rallied and closed at the highs of the day. Physical cocoa failed to appeal to consumers or producers both apparently taking a breather after their recent efforts, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
July	1035-1039	+27.0	1040-1005
Sep	1052-1053	+16.0	1054-1032
Dec	1100-1101	+18.5	1101-1080
March	1146-1147	+23.0	1146-1125
May	1166-1167	+23.5	1166-1149
July	1181-1189	+18.0	1180
Sept	1200-1215	+19.0	—

Sales: 3,477 (5,179) lots of 10 tonnes.

COFFEE

During another hectic day Robusta prices continued to fluctuate in erratic conditions with the early rally short-lived. However fears of further cold weather approaching Brazil appeared to prompt renewed steadiness in the afternoon and the late rise was also aided by producer buying and commission house short covering, reports Drexel Burnham Lambert.

COFFEE	yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1421-22	+18.0	1450-01
Sept	1489-91	+17.5	1495-55
Nov	1518-20	+16.5	1530-00
January	1526-28	+18.0	1540-15
March	1505-10	+14.5	1520-05
May	1510-40	+22.5	—
July	1510-50	+12.5	—

Sales: 7,923 (11,332) lots of 5 tonnes.

ICA indicator prices for June 30 (U.S. cents per pound): Other Mild Arabicas 165.00 (176.67); Robustas ICA 1976 154.25 (164.00); ICA 1968 154.50 (164.25); Unwashed Arabicas 207.00 (208.00); Comp. daily ICA 1968 178.17 (185.45).

GRAINS

LONDON GRAIN FUTURES—The market opened 5p higher, some initial hedge selling eased values slightly but good shipper buying on wheat again halted any further decline and values closed steady on the day. Barley also saw good buying support and registered gains of 10p-25p on the day, reports Acli.

WHEAT Mnth	Yesterday close	+ or —	BARLEY Yesterday close	+ or —
Sept	95.65	......	92.05	+0.10
Nov	99.70	+0.10	95.95	+0.10
Jan	103.55	+0.10	99.75	+0.10
Mar	107.00	+0.10	103.20	+0.25
May	110.35	+0.10	106.45	+0.20

IMPORTED—Wheat: U.S. Dark Northern Spring No 2 14 per cent July 97.25, Aug. 97.50, Sept. 99.25 transhipment east coast. U.S. Hard Winter 13½ per cent July 93.40 transhipment east coast. English Feed fob Sept. unquoted, Dec. 103 east coast.

Maize: French July 121 transhipment east coast. S. African yellow July/Aug. 80.00.

Barley: English Feed fob Sept. unquoted Oct./Dec. 99.50 east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 90.30, S. West 92.00, W. Midlands 90.00. Other milling wheat: S. East 110.00.

COTTON

LIVERPOOL—No spot or shipment sales were recorded leaving the total for the week so far at 100 tonnes. Extreme caution was shown by operators who were unwilling to anticipate their needs. Demand was at a low level and remained chiefly in American type varieties.

RUBBER

The London physical market opened little changed, and continued quiet throughout the day, closing inactive. Lewis and Peat reported a Malaysian godown price of 291.5 (291) cents a kg (buyer, July).

No. 1 R.S.S.	Yest'rdays Close	Previous Close	Business Done
Aug	60.60-60.90	60.90-61.00	61.40-60.50
Sept	62.00-62.10	61.90-62.50	62.60-62.00
Oct-Dec	64.30-64.40	64.00-64.10	64.40-63.50
Jan-Mar	67.40-67.50	67.10-67.20	67.70-66.90
Apr-Jne	70.40-70.60	70.10-70.20	69.90
Jly-Sept	73.20-73.40	72.60-72.70	—
Oct-Dec	75.30-75.90	75.00-75.10	75.10
Jan-Mar	76.00-78.50	77.50-77.60	—
Apl-June	80.50-81.40	80.40-80.50	—

Sales: 124 (176) at 15 tonnes, 85 at 5 tonnes.

Physical closing prices (buyer) were: Spot 59.50p (same); Aug. 62.50p (same); Sept. 63.25p (same).

SOYABEAN MEAL

The London market opened with gains of £1.00 correcting an oversold situation, reports T. G. Roddick. Prices held steady on commission house buying and finished with gains of £1.00-£1.50 on the day.

	Yest'rday Close	+ or —	Business Done
	£ per tonne		
August	104.00-04.2	+0.90	104.70-04.00
October	105.90-06.1	+1.55	106.40-04.70
December	108.10-08.5	+1.55	109.70-08.50
February	112.20-12.8	+1.55	112.40-11.40
April	114.30-14.5	+1.60	—
June	115.50-17.5	+1.50	—
August	116.00-20.0	+1.00	—

Sales: 69 (84) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £323.00 (£320.00) a tonne cif for July-Aug. shipment. White sugar daily price was £344.00 (same).

Sentiment was encouraged by the liquidation of July in New York where although some 100,000 tons was delivered it was all taken up by one house and opening trades were some £2 above kerb levels. However, heavier offerings later could not be absorbed and prices fell back some £5, further losses occurred later and the market closed around the lows of the day, reports C. Czarnikow.

No. 4 Contract	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
Aug	358.00-41.05	358.00-48.00	360.00-58.00
Oct	363.50-64.00	361.00-62.50	374.00-61.50
Jan	375.50-77.00	372.50-74.00	385.00-80.00
Mch	384.75-85.00	381.00-82.00	395.00-95.50
May	378.75-79.00	375.50-79.00	389.50-79.00
Aug	358.50-70.00	365.00-89.00	375.00-68.55
Oct	361.00-64.00	360.00-62.05	369.00-64.00

Sales: 4,892 lots of 50 tonnes.

NUMBER 2 CONTRACT—Close (in order buyer, seller only). Aug. 357.45, 358.00; Oct. 373.00, 374.00. Sales: 2,784 (2,583).

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.60 (£324.7) a tonne for home trade and £441.00 (£446.50) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Price for June 30. Daily price 31.81 (30.39); 15-day average 31.21 (31.01).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per pound. July 463.0, 468.0, 467.0-462.0, 76; Oct. 451.5, 452.0, 456.0-448.0, 75; Dec. 452.0, 453.0, 457.0-450.0, 60; March 456.5, 457.0, 461.0-454.0, 35; May 457.0, 459.0, 461.5-456.5, 29; July 457.0, 459.0, 462.0-460.0, 15; Oct. 457.0, 459.0, 460.0-460.0, 5; Dec. 460.0, 462.0-460.0, 8. Sales: 303.

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Aug. 360, 367, nil, nil; Oct. 363, 369, nil, nil; Dec. 364, 370, nil, nil; Jan. 365, 370, nil, nil; March 369, 377, 367, 5; May 369, 374, 370, 5; Aug. 370, 375, 373, 2; Oct. 374, 376, 376, 6; Dec. 374, 377, 375, 4. Sales: 22.

★

HIDES—Birmingham: Little change. Second clears. Ox 31/35.5 kilos 34.3p per-kilo, (34 1p per kilo): 26/3/.5 kilos 38p, (42p); 22/25.5 kilos 40p, (43p). Light cows 39.3p (same).

★

GRIMSBY FISH—Supply good, demand moderate. Prices at ship's side (unprocessed) per stone: Shelf cod £4.00-£4.80, codlings £2.40-£3.20. Large haddock £3.60-£4.50, medium £3.30-£4.20, small £2.00-£3.00. Large plaice £4.50-£4.70, medium £3.70-£5.00, best small £3.40-£4.00. Skinned dogfish (medium) £4.00. Lemon soles (large) £6.50, medium £6.00. Rockfish £2.40. Reds £2.50. Saithe £2.80-£3.20.

PRICE CHANGES

In tonnes unless otherwise stated.

	July 2 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1680/1700	......	$1680/20
Copper			
Cas w'bar	£888.5	— 18.5	£893
3 mths.	£912.5	+15.75	£914.25
Cash Cathode	£863	+ 18.5	£867
3 mths.	£888	— 12.5	£891
Gold troy oz.	$660.5	+9	$553
Lead Cash	£335.5	—2	£324.5
3 mths.	£342	—5.5	£327
Nickel	£5,248.35	......	£3,335.5
Freemkt (cif lb)	280/310c	— 7.5	265/295c
Platin'mtr'y oz	£183.50	......	£189/193
Free mkt	£294.35	+ 8.8	£264.15
Quicksilver	$590/400	+5	$590/400
Silver troy oz	724.30p	— 14.9	605.80p
3 mths.	753.30p	+ 14.9	628p
Tin Cash	£7,245	—80	£7,490
3 mths.	£7,275	—90	£7,367.5
Tungsten 22.04lb	$139.82	......	$142.49
Wolfrm 22.04lb	$143/146	......	$138/146
Zinc cash	£304	—2	£297.50
3 months	£316.75	—8.25	£308.5
Producers	$780	......	$780/826
Oils			
Coconut (Phil.)	$640x	......	$615
Groundnut	......	......	
Linseed Crude	£400z	......	£404
Palm Malayan	$540w	......	$565
Seeds			
Copra Philip	$435	+5	$420
Soyabean (U.S.)	$276.90z	+4.10	$261
Grains			
Barley Futures	£95.95	+0.10	£95.65
Maize			
French No3AM	:	......	:
Wheat			
No.1 Red Spg.	:	......	:
No 2HardWint	£93.40z	—1.10	:
Eng. Milling†	:	......	:
Other commodities			
Cocoa ship't	£1,108	+16	£1,135
Future Sept.	£1,052.5	+16	£1,081.5
CoffeeF t'Sept.	£1,490	+17.5	£1,784.5
Cotton A, Index	84.15c	— 0.65	86.50c
Rubber (kilo)	59.50p	......	57p
Sugar (Raw)	£323	+3	£310
Woolt'ps 64s kl.	290p kilo	......	295p kilo

u July-Aug. s June-July. w Aug. x July. z Indicator. § Buyer. ‡ Per 276-lb flask.

JUTE

JUTE—July c and f Dundee: BWC £210, BWD £180, BTB £252, BTC £218, BTD £189. Antwerp July BWC $490, BWD $415, BTB $610, BTC $515, BTD $443. Jute goods c and f Dundee July 40 in 10 oz £12.36, 40 in 7.5 oz £9.60, B Twills £30.40.

MEAT/VEGETABLES

SMITHFIELD—pence per pound. Beef: Scotch killed sides 64.0 to 69.0; Eire hindquarters 78.0 to 81.0, forequarters 40.0 to 42.0. Veal: Dutch hinds and ends 97.0 to 100.0. Lamb: English small 66.0 to 72.0, medium 66.0 to 70.0, heavy 60.0 to 69.0; Imported frozen NZ pl 61.0 to 62.0, pm 57.0 to 58.0. Pork: English, under 100 lb 40.0 to 49.0, 100-120 lb 39.0 to 47.5, 120-160 lb 38.0 to 45.5.

MEAT COMMISSION—Average fatstock prices at representative markets on July 1. GB cattle 79.84p per kg lw (−1.33). UK sheep 149.66p per kg est dcw (−0.89). GB pigs 66.42p per kg lw (+0.56).

COVENT GARDEN—Prices in sterling per package except where otherwise stated: Imported Produce: Oranges—Jaffa: Valencia Lates 2.80-4.00; Moroccan: 54/113s 3.50-4.00; Cyprus: Valencia Lates 3.60-4.60; Arizona: Valencia Lates 72/113s 5.00-5.80; Outspan: Navels 3.50-4.85. Lemons—Italian: 100/150s 4.00-5.00; Spania: Trays 25/45s 2.00-2.40, boxes 4.50-5.60; S. African: 6.00-7.00. Grapefruit—Outspan: 4.00-4.95; Texas: Pink flesh 7.50-8.00. Apples—New Zealand: Sturmer Pippins 9.50-9.60, Granny Smith 9.60; Tasmanian: Sturmer Pippins 9.40-9.50, Crofton 11.50, King Cole 11.00-11.50; S. African: Golden Delicious 9.50-10.00, Granny Smith 9.50-9.80; Dutch: 22-lb Golden Delicious 2.50; French: 40-lb boxes, Golden Delicious 138/198s 6.20-7.50, 20-lb 3.60; Italian: Jonathans/Romos 40-lb 6.80-7.00. Pears—S. African: Approx. 35-lb Josephines 11.00: Victorian: Josephines 11.50-12.00, Packham's 12.00. Peaches—Spanish: Yellow flesh 2.00-3.50; Italian: 1½-trays 2.80-5.00. Plums—Spanish: Red 2.00-3.50, Yellow 1.20-1.60, Gaviota 3.50-4.50, Burbanks 3.50-4.50. Apricots—Spanish: 3.00-3.50. Cherries—Per pound, French: 0.30; Italian: 0.35-0.45. Grapes—Per pound Californian: Perlette 0.90, Cardinal 0.80; Israeli: approx. 9-lb 6.00; Cyprus: Cardinal per pound 0.80. Melons—Israeli: Galia 4.00; Spanish: Marine 6/6s 2.00-2.40, Ogen 3.00-3.60, Galia 3.00-3.30, Yellow 5.50-6.00. Water-Melons—Israeli: 5.00; Spanish: 3.60-4.00. Avocados—S. African: 3.20-3.50. Bananas—Jamaican: 28-lb, per pound 0.18. Tomatoes—Dutch: 2.20-2.50; Guernsey: 2.00-2.40; Jersey: 2.00; French: 1.80. Onions—Spanish: 5.60-6.50; Egyptian: 6.50; French: 6.00; Portuguese: 6.00; Potatoes—Cyprus: New crop 20-kg 4.20; Jersey: 3.85. Carrots—French: 22-lb 2.20, 26-lb 3.00; Italian: 2.40; Cyprus: 1.80. Beetroots—Cyprus: New crop, approx. 28-lb 1.80. Cabbages—Dutch: White 1.80-2.50. Courgettes—French: Per pound 0.25-0.30. Capsicums—Dutch: 5.20.

English Produce: Potatoes—Per bag, new 3.00. Mushrooms—Per pound 0.50-0.70. Apples—Per pound Bramley 0.13-0.19. Strawberries—English per ½-lb 0.10-0.25. Cabbages—Per bag 0.80-1.00. Cauliflowers—Per 12s English 3.50-4.50. Peas—Per pound 0.15-0.16. Broad Beans—Per pound 0.08. Cucumbers—Trays 10/20s 1.50-1.80. Tomatoes—Per 12-lb 2.00-2.20. Lettuce—Per pound round 1.00-1.20, Cos 1.00, Webbs 1.20. Carrots—New crop 28-lb 2.50-3.50. Rhubarb—Per pound outdoor 0.05. Onions—Per bag 6.00-6.30. Celery—English 12/20s 2.00-3.00. Gooseberries—Per pound 0.10-0.12. Cherries—Per pound 0.30-0.35.

AMERICAN MARKETS

NEW YORK, July 1.

PRECIOUS METALS rallied on European buying and strong indications that President Carter will try to reflate the economy. A major rally in copper following a massive union walkout ran into profit taking with copper closing sharply lower. Profit taking in sugar contributed to moderate losses on the close. Coffee was mixed as moderate trade buying interest was revived. Lack of selling turned cocoa prices around on a strong close. Cattle markets advanced on moderate buying while the pork complex finished mixed. Grains and soyabeans rallied on short covering and now commercial interest. Cotton finished higher as on relief was forecast for the tropical temperatures and drought in Texas, reported Heinold.

Potatoes (round whites)—Nov. 79.1-79.2 (77.6), March 101.0 (98.3), April 123.0-123.2. Sales: 1,784.

Sugar—No. 11: Sept. 34.20-34.30 (34.93), Oct. 35.45-35.50 (36.20), Jan. 36.50-36.80, March 37.60-37.70, May 38.85-36.90, July 35.75-35.85, Sept 34.90-34.95, Oct. 34.50. Sales: 9,845.

Tin—772.00-790.00 asked (774.00-785.00).

CHICAGO, July 1

Lard—Chicago loose 18.00 (18.25). New York prime steam unavailable.

Live Cattle—Aug. 69.60-69.40 (68.70), Oct. 67.85-67.75 (66.92), Dec. 68.55-68.40, Jan. 69.22, Feb. 69.60-60.65, April 70.35-70.25.

Live Hogs—July 41.20-41.30 (41.22), Aug. 40.00-40.15 (40.25), Oct. 39.70-39.60, Dec. 43.00-42.85, Feb. 45.60, April 44.82, June 46.90, July 47.75, Aug. 48.35.

‡‡Maize—July 283¾-288¾ (284½), Sept. 295¾-294½ (290¾), Dec. 302-303, March 315¾-315, May 323, July 328.

Pork Bellies—July 38.40-38.25 (38.60), Aug. 37.30-37.80 (38.12), Feb. 53.55-53.80, March 53.45-53.70, May 54.25, July 54.40, Aug. 53.75.

Silver—July 1685.0 (1650.0), Aug. 1700.0 (1675.0), Sept. —, Oct. 1735.0, Dec. 1767.0, Feb. 1799.0, April 1831.0, June 1862.0, Aug. 1895.0, Oct. —, Dec. —, Feb. 1991.0, April 2023.0, June 2055.0, Aug. —, Oct. 2119.0.

†Soyabeans—July 674½-673½ (671), Aug. 681-682 (679½), Sept. 691-692, Nov. 707-710, Jan. 725½, March 742-743, May 757, July 767.

||Soyabean Meal—July 181.2-181.4 (179.4), Aug. 184.3-184.8 (182.7), Sept. 187.5-187.3, Oct. 190.5-190.8, Dec. 196.0-195.5, Jan. 198.8-198.5, March 202.0, May 205.5-206.5, July 209.5-210.0, Aug. —.

Soyabean Oil—July 24.00-23.92 (23.89), Aug. 24.10-24.15 (24.17), Sept. 24.30-24.35, Oct. 24.55-24.50, Dec. 24.83-24.80, Jan. 24.95, March 25.25, May 25.50, July 25.75-25.70, Aug. 25.75-25.80.

†Wheat—July 426½-425½ (420¼), Sept. 439½-438½ (433½), Dec. 459½-457, March 471½-471, May 477, July 478.

WINNIPEG, July 1

§Barley—July 136.10 (135.60), Oct. 130.10-130.30 (129.60), Dec. 128.50, March 128.30, May 128.50.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, July 1

Wheat—U.S. No. 2 Dark Hard Winter 13.5 per cent July $197. U.S. No. 2 Red Winter July $186, Aug. $187, Sept. $189. U.S. No. 2 Northern Spring 14 per cent July $205, Aug. $207, Sept. $208.50, Oct. $211, Nov. $215, Dec. $220. Rest unquoted.

Maize—Spot $145, June $138.75, July $140, Aug. $141, Sept. $142.50, Oct.-Dec. $147, Jan.-March $154.50, April-June $160.

Soyabeans—U.S. Two Yellow Gulfports afloat $265, July $270.75, Aug. $275.50, Sept. $279.50, Oct. $284.25, Nov. $284.25, Dec. $290, Jan. $294, Feb. $300.75, March $303.50, April $306.50, Argentine afloat $263.50, June $263.50, July $265, Aug. $268.50, Sept. $276.50.

Soyameal—44 per cent protein U.S. afloat $216, June $222, July $223.50, Aug. $227.50, Sept. $232, Oct. $238, Nov.-March $247.50 sellers. Brazil Pellets afloat $219, Sept. $237 traded, July $229, Aug. $234, Sept. $237, Oct. $243, Nov.-March $258 sellers.

PARIS, July 1

Cocoa (FFr per 100 kg)—July 930-1,000, Sept 990-1,015, Dec. 1,023, March 1,060, May 1,070, July 1,082-1,103. Sales at call nil.

Sugar (FFr per 100 kg)—Aug 3,270-3,295, Oct. 3,410-3,415, Nov. 3,390, Dec. 3,490-3,515, March 3,610-3,640, May 3,630, July 3,640, Aug. 3,850. Sales at call 11.

INDICES

FINANCIAL TIMES

Jun 30	June 27	M'nth ago	Year ago
267.45	266.31	265.50	293.65

(Base: July 1, 1952=100)

MOODY'S

June 30	Jun 27	M'nth ago	Year ago
1175.9	1168.5	1124.6	1085.2

(December 31, 1931=100)

DOW JONES

Dow Jones	June 30	June 27	Month ago	Year ago
Spot	427.20	426.47	414.92	419.75
F'tur's	441.38	440.30	442.34	432.16

(Average 1924-25-26=100)

REUTERS

July 1	June 30	M'nth ago	Year ago
1686.1	1675.2	1678.6	1601.1

(Base: September 18, 1931=100)

Australian exploration issues dominate markets still reflecting concern with deepening UK recession

Account Dealing Dates

Options

*First Dealings	Declarations	Last Dealings	Account Day
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug. 4

* "New time" dealings may take place from 9 am two business days earlier.

The mounting number of redundancies and short-time workings within many sectors of UK manufacturing industry continued to cast a shadow over London stock markets yesterday. Institutional investors were content to remain on the sidelines and the bulk of a largely speculative interest was again directed towards Australian exploration stocks with the emphasis on Strata Oil and other energy-related issues.

Domestic Oils opened sharply lower on the downgrading in estimates of North Sea oil production. Although buyers later returned for specific stocks, especially for LASMO, the sector still displayed widespread losses. Building and Construction stocks along with selected leading Engineerings and Electricals were also unusually dull, despite a volume of selling generally regarded as modest in the two last-named sections.

Courtaulds stood out firmly among constituents of the FT 30-share index following sizeable investment support intermingled with speculative business and option market activities; considerable speculation arose including whispers of bid possibilities. The index touched its day's lowest at 1.00 pm with a fall of 4.0 before rallying to close a net 3.4 off at 461.4.

Gilt-edged securities were not immune from the surrounding gloom and opened easier. The lower prices, however, attracted revived small investment demand after the recent bout of stock indigestion, and the losses which extended to ½ among longer-dated stocks were retrieved. Later trade was slow but just before the official close American interest developed and the tone began to harden with the shorts leading the movement.

Although demand for Traded options contracted, business still reached into four figures with a total of 1,129 deals arranged, well above last week's daily average of 932. Lonrho continued to attract an active trade with 381 contracts, while Courtaulds were dealt 186 times.

The major clearing banks lost ground, but selling was light. Falls of around 5 were marked against Barclays, 390p, Lloyds, 315p, and NatWest, 360p, while Midland shed 8 to 350p. Merchant Banks held steady, but sellers held sway in Discounts where Union cheapened 5 to 450p and Alexanders 4 to 240p. Provident Financial provided a firm spot in Hire Purchases, adding 4 to 126p following favourable Press comment.

Leading Breweries drifted lower for want of attention. Bass, 223p, and Whitbread, 155p, both shed 4, while Arthur Guinness lost the turn to 91p. Among regional issues, Burtonwood firmed 2 to 250p following the annual figures but Marston Thompson and Evershed, at 69p, were unmoved by higher full-year profits.

Buildings trended easier with Blue Circle losing 6 to 344p and London Brick shedding a penny to 74p. News of a U.S. acquisition left John Mowlem a penny cheaper at 97p, while small selling clipped 8 from Brown and Jackson, 120p. SGB held at 160p despite the better-than-expected half-yearly profits. Aberdeen Construction met support and added 3 to a 1980 peak of 120p while, among Timbers, James Latham firmed 5 to 115p in a thin market awaiting Friday's preliminary results.

In Chemicals, British Benzol shed 2 for a two-day fall of 10 to 28p on the lower annual profits and the company's warning of a substantial first-half loss. Redundancy fears unsettled Laporte which shed 2 to 95p, while lack of support left ICI 6 cheaper at 378p. Against the trend, Stewart Plastics firmed 5 to 85p on renewed interest.

Stores lower

Stores were depressed by several downgraded profit forecasts prompted by falling retail sales. Losses of 6 were common to Mothercare, 238p, and GUS A, 424p. Burton eased 3 at 119p, while Woolworth shed 1½ to 55p. Dixons Photographic were similarly affected and closed 5 cheaper at 95p and Comet Radiovision declined a couple of pence to 87p, while recent speculative favourite Ratners encountered profit-taking and gave up 3 at 56p.

Leading Electricals eased under the lead of GEC which encountered increased nervous selling and fell 10 to 396p in front of tomorrow's preliminary results. Plessey gave up 3 at 181p, while Racal shed a couple of pence to 261p. Among secondary counters, Fidelity Radio continued to weaken, falling 4 more to 28p, while similar losses were seen in Electrocomponents, 578p, Berec, 93p, and Kode International, 221p. Last week's announcement of further redundancies again overshadowed BSR, another penny off at 20p.

The recent gloomy news of short-time working and redundancies in the Engineering industry continued to unsettle sentiment in the sector where selling made more impact. GKN, 227p, and Tubes, 250p, showed fresh falls of 5 and 6 respectively. Elsewhere, GEI International lost 5 to 70p and Ransomes Sims a similar amount to 140p. Acrow also came on offer and fell 4 to 56p, while similar losses were marked against Midland Industries, 87p, and RHP, 91p. Among smaller-priced issues, Birmid Qualcast gave up 2 to 32p.

Owing to production difficulties, prices in the Share Information Service on which this report is based were not updated to take account of dealings after the official close of the Stock Exchange.

The company's decision to stop selling high cost large electrical appliances clipped 4 from Associated Dairies, 176p. Elsewhere in Foods, British Sugar responded to the better-than-expected annual results with a gain of 4 to 138p. Associated Fisheries, interim figures due next Monday, added 3 to 68p, but George Bassett dropped 11 to 45p on the annual loss and final dividend omission. Nichols (Vimto) were again wanted and rose 10 more to 450p.

Leading Hotels and Caterers mirrored the general market trend, Grand Metropolitan and Trusthouse Forte easing 3 apiece to 153p and 184p respectively.

Miscellaneous industrials were featured by a jump of 74p to 240p in Hay's Wharf following the announcement of a bid approach from the Kuwait Investment Office. Helped by recent Press mention, Wilkinson Match rallied 11 more to 129p, while Ropner responded to satisfactory preliminary results with a rise of 4 to 88p. In contrast, Johnson Matthey encountered fresh profit-taking after the recent flurry on bid hopes and reacted 6 further to 370p. Alpine Holdings encountered also selling and closed 8 lower at 58p, while Kleen-E-Ze lost 8 to 70p despite the increased dividend and profits. Restmor were dull at 90½p, down 4½, while falls of a similar amount were recorded in Cawoods, 214p, and Rank Organisation, 186p. Reed International fell 7 to 178p following the full report, while Press comment highlighting several brokers' down-grading of profits estimates in the store sector unsettled Boots which gave up 5 to 203p.

The recession in the Engineering industry continued to unsettle selected Motor Components. Dowty were hardest hit, falling 7 more to 195p, while Lucas, 185p, and Jonas Woodhead, 80p, both gave up 2. Flight Refuelling again responded to speculative support and rose 8 further to 322p. Among Distributors, Glanfield Lawrence plummeted 8 to 35p following the interim deficit and gloomy outlook. Appleyard eased a penny to 43p on the announcement that the company is to cease trade in Glasgow following losses incurred by the Appleyard (Glasgow) subsidiary. Braid, which announced an interim loss and passed dividend last week, gave up 2 more to 21p while, awaiting further news on the merger situation with Vickers, Rolls-Royce shed 1½ to 70p.

Small selling and lack of support left its mark on Properties where Land Securities, at 325p, gave back 2 of the previous day's gain of 6, while MEPC eased 3 to 210p. Hammerson "A" shed 10 to 450p, while Haslemere Estates and Great Portland Estates lost a couple of pence apiece to 336p and 248p respectively.

Reaction in Oils

The downward revision in estimates of UK oil production from the North Sea unsettled the Oil sector, particularly some of the more speculative exploration issues. Attock fell 20 to 290p and Berkeley 12 to 244p, while Pict reacted 10 to 460p. Basic Resources weakened 65 to 585p and Aran gave up 16 to 474p. Against the trend, Lasmo recovered to finish 12 higher on the day at 800p, after 775p. Caledonian also stood out with a gain of 30 at 190p, while Santos improved 15 to 710p. Among the leaders, Shell eased 8 to 396p and BP closed a few pence cheaper at 364p. Elsewhere, IC Gas responded to the good annual results and proposed scrip issue with a rise of 23 to 398p.

S. and W. Berisford fell 13 to 146p following a £23.5m rights call. Elsewhere in Overseas Traders, Australian Agricultural continued to attract support and added 3 for a three-day gain of 21 at 150p.

In lack-lustre Investment Trusts, Atlantic Assets shed 4 to 192p. Financials had a firm spot in Hampton Trust, up 6 to 40p on speculative interest.

Courtaulds again attracted good inquiry and added 3 more to 80p. Other Textiles traded quietly and closed around the overnight levels.

Tobaccos took on a firmer appearance with Bats gaining a couple of pence to 260p, while Imperial hardened a shade at 83p.

Australian gains

Oil and gas and gold exploration issues continued unabated yesterday following a fresh surge in overnight domestic markets, news of a further oil discovery in the Cooper Basin and the continuing strength of the bullion price.

The oil and gas issues were again featured by the Strata/Haoma/North West Mining group which attracted another wave of heavy speculative interest on further consideration of sharply increased gas flows at the Woodada No. 1 well in the Perth Basin.

Strata jumped 14 more to a peak 114p, North West Mining 27 to a record 147p and Haoma 23 to a high of 157p.

A 750 barrels a day oil flow at the Dullingari Murta No. 1 well in the Cooper Basin prompted heavy buying of Santos and Vamgas, which have interests of 50 per cent and 10 per cent respectively in the well; Santos put on 20 to 715p, and Vamgas 65 to 365p.

Greenvale Mining, which recently announced an oil-shale discovery in northern Queensland, raced ahead to close 35 higher at 155p. Coltus Pacific gained 5 to 40p following the proposed rights issue.

Elsewhere in the speculatives, International Mining, currently seeking oil-shale at the Alpha deposits in Queensland, rose 7 to 50p.

Golds were well supported. Gold Mines of Kalgoorlie put on 6 to a 1980 high of 458p, Poseidon gained 6 to 224p, and North Kalgurli 4 to a 1980 high of 100p. In Diamonds, Ashton Mining were 6 firmer at 144p. Leading base-metals issues tended to edge higher.

South African Golds were little changed on balance after a quiet day's trading. The Gold Mines index dipped 0.8 to 354.7.

London-based Financials were featured by the late strength of Charter and Selection Trust which moved ahead sharply following a flurry of American interest.

Selection Trust rallied from £10½ to close unchanged on balance while Charter recovered from 195p to end a net 4 higher at 202p. The sharp rise in copper which followed news of the U.S. labour strike, prompted a gain of 2 to 430p in RTZ.

FINANCIAL TIMES STOCK INDICES

	July 1	June 30	June 27	June 26	June 25	June 24	A year ago
Government Secs.	69.09	69.12	69.35	69.47	69.78	69.55	72.18
Fixed Interest	70.76	70.70	70.84	70.88	70.90	74.87	
Industrial	461.4	464.8	465.5	466.7	466.9	468.7	479.5
Gold Mines	354.7	355.5	349.7	346.9	345.6	324.5	159.9
Ord. Div. Yield	7.80	7.72	7.73	7.65	7.68	7.75	5.96
Earnings, Yld. % (full)	18.66	18.65	18.62	18.49	18.55	[illegible]	[illegible]
P/E Ratio (net) (*)	6.49	6.52	6.51	6.51	6.55	6.51	7.79
Total bargains	22,212	22,500	23,816	21,899	20,968	19,891	[illegible]
Equity turnover £m.	—	118.86	154.77	164.34	113.67	101.26	[illegible]
Equity bargains total	—	19,101	18,526	16,656	15,304	12,518	[illegible]

10 am 462.4. 11 am 461.9. Noon 461.9. 1 pm 460.8. 2 pm 460.9. 3 pm 461.0.

Latest Index 01-246 8026.

*Nil=8.02.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	70.55 (26/6)	63.85 (7/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.90 (24/6)	64.70 (10/4)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	476.8 (19/2)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	377.9 (23/2)	265.5 (18/6)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	July 1	June 30
Daily		
Gilt Edged	103.6	113.0
Industrials	105.0	137.9
Speculative	45.4	57.3
Totals	78.6	89.6
5-day Avge.		
Gilt Edged	114.5	109.8
Industrials	121.5	128.1
Speculative	51.7	[illegible]
Totals	95.1	[illegible]

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	300	66	—	76	—	94	7	362p
BP	330	38	2	56	10	76	—	
BP	360	18	5	38	3	56	5	
BP	390	7	1	24	2	34	—	
Com. Union	120	30	—	35	2	37	—	146p
Com. Union	140	10	5	15	—	22	—	
Com. Union	160	1	—	7	126	11	—	
Cons. Gold	460	78	21	108	—	118	—	535p
Cons. Gold	500	40	16	75	6	88	—	
Cons. Gold	550	13½	28	38	15	59	13	
Courtaulds	60	20½	10	22½	8	24	—	79p
Courtaulds	70	11	60	14	15	16	14	
Courtaulds	80	3½	30	8	44	10	7	
GEC	360	44	2	58	—	75	—	396p
GEC	390	21	6	38	2	54	—	
GEC	420	7	20	21	—	37	—	
Grand Met.	130	24½	14	29	2	34½	—	153p
Grand Met.	140	15½	—	22	6	28	—	
Grand Met.	160	4	35	12	61	18	—	
ICI	330	49	1	59	—	69	—	376p
ICI	360	20	7	35	—	47	—	
ICI	390	4	10	15	3	30	—	
ICI	420	1	—	7	5	—	—	
Land Secs.	323	12	21	29	—	40	—	325p
Marks & Sp.	80	12	1	16	—	18½	—	90p
Marks & Sp.	90	3½	15	9	2	13½	—	
Marks & Sp.	100	1½	2	5	—	8½	—	
Shell	360	40	30	52	5	64	—	398p
Shell	390	17	3	33	30	44	—	
Shell	420	4	1	18	3	26	—	
Totals			338		329		46	
		August		November		February		
Imperial Gp.	80	4½	2	7½	—	11	—	82p
Lonrho	90	26	—	29	8	33	—	104p
Lonrho	100	16	71	21	—	25	—	
Lonrho	100	10	40	13	70	18	—	
Lonrho	110	5½	170	8½	22	15	—	
Racal Elec.	240	26	10	42	—	52	—	261p
Racal Elec.	260	14	—	30	5	39	—	
Racal Elec.	280	6	—	17	15	30	—	
RTZ	330	100	1	115	—	—	—	428p
RTZ	390	45	2	65	—	83	—	
Totals			296		120			

NEW HIGHS AND LOWS FOR 1980

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (54)

AMERICANS (1): Hutton (E. F.)
BANKS (1): Provident Financial
BEERS (1): Bulmer (H. P.)
BUILDINGS (1): Aberdeen Constr.
STORES (1): Wearwell
ELECTRICALS (3): Bowthorpe, Lec Refrigeration, Unit. Scientific
ENGINEERING (1): Howden Group
FOODS (3): Avana Group, British Sugar, Nurdin & Peacock
INDUSTRIALS (13): B.H. Proprietary, Pentland, Christies Intl., Powell Duffryn, Continuous Station'y, Pritchard Services, Halma, Ropner Hldgs., Hay's Wharf, Do. A, Hutchison Whamp
MOTORS (1): Kwik-Fit Tyres
NEWSPAPERS (1): Marshall Cavendish
PROPERTY (2): Daejan, Lend Lease
TEXTILES (2): Courtaulds, Textured Jersey

NEW LOWS (43)

Bassett (G.), Bluebird Confect.
INDUSTRIALS (12): Arenson (A.), Macpherson (D.), Austin (F.) (Leyton), Negretti & Zambra, Bellerinvest B, Parker Knoll A, Braby Leslie, Redfearn Natl. Glass, Caravans Intl., Toothill (R. W.), Denbyware, UKO Intl., Durapipe
LEISURE (3): Barr & W.A.T. A, Ulster TV A, Fairline Boats
MOTORS (7): Woodhead (J.), Lex Service, Braid Group, Lookers, Glanfield Lawrence, Quirk (H. & J.), Jessups
NEWSPAPERS (2): Intl. Thomson
PAPER (1): Wace Group
TRUSTS (1): M. & G. Hldgs.
RUBBERS (1): Rightwise

MONTHLY AVERAGES OF STOCK INDICES

—	June	May	April	March
Financial Times				
Government Securities	68.87	67.76	66.16	64.23
Fixed Interest	69.62	67.90	66.48	64.84
Industrial Ordinary	451.2	432.4	435.4	440.8
Gold Mines	333.8	306.1	299.9	314.5
Total Bargains	21,454	18,650	19,631	20,844
F.T.—Actuaries				
Industrial Group	251.24	223.78	222.55	224.24
500 Share	276.76	264.79	262.18	266.28
Financial Group	210.11	200.31	194.82	190.82
All-Share (750)	261.24	249.28	246.10	248.54
Red. Debs.& Loans	52.16	51.09	49.72	49.79

	High	Low
Industrial Ordinary	473.1 (18th)	412.7 (2nd)
All-Share	271.14 (20th)	242.89 (2nd)

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	27	8	56
Corpns. Dom. and Foreign Bonds	3	17	48
Industrials	121	386	890
Financial and Prop.	40	167	280
Oils	9	23	21
Plantations	1	3	17
Mines	50	47	61
Others	14	65	78
Totals	265	721	1,455

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., July 1, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon., June 30 Index No.	Fri., June 27 Index No.	Thurs., June 26 Index No.	Wed., June 25 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	249.31	−1.4	18.02	6.47	6.80	252.88	253.53	254.87	251.87	246.34
2	Building Materials (28)	240.68	−0.8	19.27	6.90	6.15	242.68	244.85	248.07	245.85	229.18
3	Contracting, Construction (27)	365.51	−1.2	25.59	6.66	4.69	369.85	371.16	372.80	371.65	366.84
4	Electricals (16)	677.32	−2.2	12.61	3.58	10.22	692.68	688.56	692.73	675.27	594.91
5	Engineering Contractors (11)	305.08	−0.2	22.26	8.49	5.63	305.64	306.38	306.06	305.89	380.29
6	Mechanical Engineering (74)	166.11	−1.1	19.25	7.95	6.36	168.01	169.43	169.56	168.54	183.61
8	Metals and Metal Forming (16)	161.23	−1.1	22.53	10.53	5.32	163.10	163.68	163.86	164.14	165.73
	CONSUMER GOODS										
11	(DURABLE) (49)	216.91	−1.0	14.99	5.92	8.18	219.18	219.08	221.80	219.15	230.88
12	Lt. Electronics, Radio, TV (14)	319.61	−1.2	11.49	4.25	11.09	323.52	323.12	327.46	321.48	315.73
13	Household Goods (14)	99.27	+0.6	25.99	10.65	4.72	98.71	98.56	98.73	98.60	158.97
14	Motors and Distributors (21)	98.68	−0.8	23.41	10.06	4.96	99.51	99.74	100.89	101.43	117.82
	CONSUMER GOODS										
21	(NON DURABLES) (172)	226.45	−0.7	18.31	7.08	6.59	227.98	227.53	229.41	229.74	236.61
22	Breweries (14)	280.43	−1.2	15.96	6.47	7.38	283.84	284.53	287.76	287.45	275.64
23	Wines and Spirits (5)	296.02	−0.1	18.40	6.31	6.69	296.42	298.20	295.62	294.82	305.87
24	Entertainment, Catering (17)	328.80	−1.6	17.56	6.79	7.06	334.08	332.51	334.76	332.47	321.43
25	Food Manufacturers (21)	204.41	+0.3	19.67	7.32	5.99	203.77	204.55	205.90	205.52	208.66
26	Food Retailing (13)	324.74	−0.7	15.00	4.88	9.18	327.13	327.44	329.79	327.81	298.46
32	Newspapers, Publishing (13)	439.77	−1.5	21.71	6.65	6.22	446.41	441.75	439.43	433.77	431.05
33	Packaging and Paper (15)	127.97	−1.1	28.14	10.23	4.12	129.41	130.25	131.36	132.38	129.99
34	Stores (42)	218.64	−1.5	14.05	5.64	9.17	221.90	220.52	222.98	224.89	240.75
35	Textiles (24)	133.03	+1.2	24.43	11.68	4.99	131.39	130.50	129.81	128.40	162.57
36	Tobaccos (3)	219.09	+0.9	27.84	10.57	4.07	217.12	214.83	218.78	220.76	241.64
37	Toys and Games (5)	27.19	—	44.73	14.02	2.59	27.19	27.54	27.54	28.08	71.17
41	OTHER GROUPS (99)	215.84	−0.8	17.29	7.13	6.87	217.55	216.72	216.98	216.89	204.48
42	Chemicals (16)	313.49	−1.0	19.80	7.69	5.79	316.81	316.45	315.94	317.09	284.12
43	Pharmaceutical Products (7)	216.40	−1.2	11.80	6.38	10.44	219.11	216.79	217.22	216.93	222.73
44	Office Equipment (6)	107.71	−1.6	20.22	7.70	5.66	109.42	108.23	109.97	109.84	121.10
45	Shipping (10)	547.25	−0.9	14.06	6.45	8.67	552.26	546.81	543.91	541.52	455.03
46	Miscellaneous (60)	260.58	−0.2	17.57	6.99	6.96	261.84	260.77	261.41	260.62	245.71
49	INDUSTRIAL GROUP (492)	236.30	−0.9	17.76	6.86	6.80	238.49	238.22	239.66	238.85	238.07
51	Oils (8)	800.54	−1.6	28.82	6.43	3.83	813.27	820.98	825.39	832.91	693.82
59	500 SHARE INDEX	280.84	−1.1	20.13	6.76	5.83	283.84	284.16	285.85	285.66	274.63
61	FINANCIAL GROUP (118)	216.33	−0.9	—	5.81	—	218.19	216.60	217.06	218.41	194.83
62	Banks (6)	231.04	−1.4	42.22	7.04	2.90	234.42	235.26	233.89	235.97	240.26
63	Discount Houses (10)	261.62	−1.4	—	6.75	—	265.28	263.70	265.68	264.05	271.93
64	Hire Purchase (5)	214.72	+0.5	14.55	4.66	8.92	213.62	212.61	214.94	215.59	172.11
65	Insurance (Life) (10)	205.66	−0.2	—	6.19	—	206.03	203.65	204.97	205.79	155.62
66	Insurance (Composite) (9)	143.68	−1.1	—	7.49	—	145.30	142.10	142.04	144.69	127.51
67	Insurance Brokers (9)	313.66	−0.7	14.81	7.30	9.27	315.91	315.86	313.40	311.10	261.63
68	Merchant Banks (13)	127.10	−0.5	—	5.25	—	127.74	128.06	128.20	129.29	99.83
69	Property (45)	402.13	−0.6	3.40	2.88	41.75	404.68	401.61	406.13	405.83	354.10
70	Miscellaneous (11)	135.76	−0.5	16.18	6.43	7.85	136.43	135.56	135.64	135.70	121.31
71	Investment Trusts (109)	241.00	−0.7	—	5.76	—	242.61	242.47	241.75	239.60	208.74
81	Mining Finance (4)	229.92	+0.5	11.74	4.29	10.27	228.77	227.03	226.21	224.35	120.50
91	Overseas Traders (19)	381.80	−0.8	13.33	7.10	9.21	384.76	385.61	387.98	387.87	350.58
99	ALL-SHARE INDEX (750)	267.01	−0.9	—	6.46	—	269.54	269.35	270.54	270.50	251.35

FIXED INTEREST PRICE INDICES

	British Government	Tues., July 1	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	105.43	+0.14	—	5.18
2	5-15 years	110.38	−0.00	—	6.77
3	Over 15 years	113.88	+0.06	—	7.39
4	Irredeemables	129.58	−0.24	—	7.24
5	All stocks	109.53	+0.07	—	6.37

	FIXED INTEREST YIELDS British Govt. Av. Gross Red.		Tues., July 1	Mon., June 30	Year ago (approx.)
1	Low Coupons	5 years	11.94	11.94	10.21
2		15 years	11.94	11.94	10.64
3		25 years	11.94	11.94	11.06
4	Medium Coupons	5 years	13.38	13.42	11.86
5		15 years	13.46	13.46	12.09
6		25 years	13.43	13.43	12.10
7	High Coupons	5 years	13.45	13.49	12.09
8		15 years	13.80	13.80	12.45
9		25 years	13.84	13.83	12.39
10	Irredeemables		11.30	11.27	10.76

		Tues., July 1 Index No.	Tues., July 1 Yield %	Mon. June 30	Friday June 27	Thur. June 26	Wed. June 25	Tues. June 24	Mon. June 23	Friday June 20	Year ago approx.
15	20-yr. Red. Deb & Loans (15)	52.99	†13.98	53.00	53.00	53.01	52.74	52.75	52.76	52.71	57.49
16	Investment Trust Prefs. (15)	49.34	13.69	49.34	49.46	49.46	49.05	48.42	48.42	48.42	49.31
16	Coml. and Indl. Prefs. (20)	64.35	13.93	64.38	64.38	64.38	64.70	64.59	64.41	63.78	69.26

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
LASMO	25p	9	800	+12	800	337
Shell Transport	25p	9	396	−8	410	314
Premier Cons.	5p	8	103	—	103	39½
BP	25p	7	364	−2	412	320
Charterhall	5p	7	73xr	+1	81½	52½
De Beers Dfd.	R0.05	7	402	−3	553	368
GEC	25p	7	396	−10	410	326
Hay's Wharf	£1	7	240	+74	240	117
ICI	£1	7	376	−6	402	348
P & O Defd.	£1	6	114	−2	125	105
Tricentrol	25p	6	392	−6	414	250
Boots	25p	5	203	−5	218	158
European Ferries	25p	5	171½	−½	172	98
RTZ	25p	5	430	+2	485	327
Rolls-Royce	25p	5	70	−1½	72	47

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jun. 9	Jun. 20	Sept. 11	Sept. 22
Jun. 23	Jul. 4	Sept. 25	Oct. 6
Jul. 7	Jul. 18	Oct. 9	Oct. 20

For rate indications see end of Share Information Service

Call options were dealt in British Land, BSR, Charterhall, Premier Oil, Comfort Hotels, Lonrho, Grand Metropolitan, Candecca, Elsburg, Beecham, Marks and Spencer, Royal Insurance, Woodside, North Kalgurli, ICI, Thorn EMI, Pict Petroleum, Hampton Industries, Law Land and BP. Puts were transacted in Racal, GUS, Hampton Industries, Grand Metropolitan, Charterhall and Dunlop, while doubles were arranged in Rustenburg Platinum, GEC, Lonrho and BSG.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1980 High	1980 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
55	F.P.	20/6	90	74	Home Farm Prods 10p	87		b2.9	2.5	4.6	11.9
§	F.P.		8¾	8½	Franklin & Purner	8¼					
185	F.P.	27/6	91	79	Oakwood Group	80	−1	b6.5	2.4	11.6	5.3
100	F.P.	27/6	110	91	Peerless	91	−1	b6.5	2.8	9.9	4.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1980 High	1980 Low	Stock	Closing Price £	+ or −
—	F.P.	—	99½p	99	Can. Imp. Bk. of Commerce 11% Deb. 1985	99½p	
100	£10	—	10½	10¼	Challenge Corp. 15pc Pref.	[illegible]	
100	F.P.	22/8	101	95	Dowie (T.) 10½% Conv. Red. Cum. Pref.	95	
100	F.P.	—	10¼	10	Fine Art Devs. 13½% Conv.	[illegible]	
[illegible]	F.P.	4/9	101½	101	Folkestone & District Water 10pc Pref. 1985	101½	
[illegible]	F.P.	—	88½	86½	London & Midland Ind. 8½% Conv. Deb.	[illegible]	
[illegible]	F.P.	4/9	102½	101	North Surrey Water 10pc Pref. 1985	101½	
£10	—	—	11½	11	Waterford 9% Rd. Pf. '85	11½	

"RIGHTS" OFFERS

Stock
Attbury & Madeley
Brown & Jackson
Carless Capel
Charterhall
Clifford's Dairies 'A'
Do.
Harrison & Crosfield
Hawley Leisure
Hunting Assoc.
Linfood
Lloyds & Scottish
Pancontinental
Silverminos

Renunciation date usually last day for dealing free of stamp duty. [illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Providence Capitol Life Ass. (C.I.)
PO Box 121, St Peter Port, Guernsey 0481 26726/9
Sterling Bond Fd. 48.4 50.8
Sterling Equity Fd. 60.0 62.9

Surinvest Trust Managers Ltd.
48, Athol Street, Douglas, Isle of Man 0624 25914
The Coin Trust 106.9 112.5 +0.9

هكذا من الأصل

هكذا من الأجمل

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

Abbey Amer. Eth. Tst.	47.6	51.2	-0.9	1.95
Abbey Capital	38.3	41.4	-0.9	6.02
Abbey General	49.8	53.3	-0.4	5.85
Abbey Gilt & F.I. Tst.	107.8	113.5	+0.4	9.45
Abbey Income	45.3	49.0	-0.4	8.25
Abbey Inv. Bd. Tst.	93.9	99.4	-0.3	5.53
Abbey Inv. Tst. Fnd.	40.9	44.2	-0.2	5.78
Equitas Prog. Trust	73.3	79.2	-0.6	5.66

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref.	88.6	94.5	.....	11.93

Allied Hambro Ltd. (a) (b)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	80.8	86.5	-0.5	6.13
Brit. Inds. Fund	71.0	76.0	-0.5	6.84
Growth & Income	43.4	46.4	-0.4	5.90
Elect. & Ind. Dev.	39.2	41.9	-0.4	5.55
Allied Capital	82.6	88.4	-0.6	5.26
Hambro Fund	121.4	129.9	-1.0	6.68
Hambro Acc. Fund	153.0	163.7	-1.3	5.50

Income Funds

High Yield Fd.	65.9	70.5	.....	10.28
High Income	72.3	77.4	-0.1	7.88
A.H. Eq. Inc.	42.6	45.6	-0.1	7.96
Govt. Secs.	25.1	25.8	+0.1	8.72

Emson & Dudley Tst. Mngmnt. Ltd.
20b Albemarle St., W1. 01-499 3211

Emson Dudley Tst.	74.1	79.7	.....	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	78.9	83.0	+0.1	5.14

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1AD. 01-248 4891

American	23.4	25.2	-0.2	1.00
Fixed Interest	24.8	26.6	.....	12.92
Growth + Income	29.8	32.1	-0.2	7.77
Special Sits.	31.0	33.4	+0.2	2.77

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	29.5	31.7	.....	2.18
Accum. Units	36.3	39.0	.....	2.12
J. Finlay High Income	33.5	36.0	.....	10.03
J. Finlay Euro.Fin.	21.4	23.0	.....	4.00
Accum. Units	26.7	28.7	.....	4.00
J. Finlay Fd.In.Tst.	34.8	37.4	.....	5.42
Accum. Units	42.9	46.2	.....	5.42

Prices on June 25. Next dealing July 2.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American June 30	52.6	56.2	.....	1.17
Am. Turnaround June 30	50.8	54.2	.....	2.89
Capital Tst.	54.0	57.6	-0.2	5.54
(Accum. Units)	54.8	58.6	.....	5.54
Extra Income Trust	49.0	52.4	.....	10.72
Income Tst.	37.2	39.8	-0.2	8.44
Int. Growth Fd.	44.6	47.6	-0.4	2.38
(Accum. Units)	47.4	50.6	-0.4	2.38

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Units	53.9	57.6	-0.2	4.67
Do. Accum.	76.0	81.2	-0.3	4.67

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

ManuLife Management Ltd.
St. George's Way, Stevenage. 0438 56101

Growth Units	72.8	76.6	.....	4.63

Mayflower Management Co. Ltd.
14-18, Gresham St., EC2V 7AU. 01-606 8099

Income June 23	108.4	114.1	.....	9.07
General June 23	73.2	77.0	.....	6.29
Intnl. June 23	47.8	50.3	.....	3.37

Mercury Fund Managers Ltd.
30, Gresham St., EC2P 2EB. 01-600 4555

Merc. Gen. July 2	56.2	59.7	-0.1	5.81
Acc. Uts. July 2	78.3	83.2	-0.2	5.81
Mer. Int. July 2	76.9	81.8	+0.2	3.62
Acc. Uts. July 2	88.0	93.6	+0.2	3.62
Merc. Ext. June 26	70.0	72.9	.....	5.86
Accm. Units June 26	89.9	93.6	.....	5.86

Midland Bank Group Unit Trust Managers Ltd.♥ (a)
Courtwood House, Silver Street, Head. Sheffield, S1 3RD. Tel: 0742 79842

Commodity & Gen.	102.0	111.4	.....	3.87
Acc. Uts. June 27	127.0	135.7	.....	3.87
Overseas Growth	37.2	40.2	.....	2.43
Do. Accum.	41.9	45.3	-0.2	2.43
Capital	30.0	32.4	-0.3	4.81
Do. Accum.	35.1	38.0	-0.4	4.81
Income	56.1	60.7	-0.4	7.38
Do. Accum.	70.9	76.7	-0.6	7.38
North American	35.9	38.8	-0.3	3.35
Do. Accum.	39.7	42.9	-0.3	3.35
High Yield	57.2	61.9	-0.1	9.99
Do. Accum.	68.9	74.6	-0.1	9.99
Equity Exempt*	125.6	132.5	.....	5.51
Do. Accum.*	131.5	138.8	.....	5.51
Japan & Pacific	39.1	42.3	-0.9	1.52
Do. Accum.	39.6	42.9	-0.9	1.49

*Prices at June 27. Next dealing July 4.

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq., Edinburgh. 031-226 3271

†Stewart American Fund

Standard Units	63.7	67.8	.....	2.00
Accum. Units	70.0	74.6	.....	—
Withdrawal Units	44.8	47.8	.....	—

*Stewart British Capital Fund

Standard	162.0	172.2	+0.7	6.72
Accum. Units	187.2	199.1	+0.8	6.72

Dealing †Tues. & Fri. *Wed.

Sun Alliance Fund Mngt. Ltd.
Sun Alliance Hse., Horsham. 0403 64141

Exp. Eq. June 11	£279.20	293.90	.....	5.53
♥The Family Fd.	122.8	130.6	-0.7	5.10

Target Tst. Mngrs. Ltd.♥(a)(g)
31, Gresham St., E.C.2. Dealings. 0296 5941.
19, Athol Crescent, Edin. 3. 031-229 8621/2

Commodity	62.0	67.0	-0.5	2.57
Energy	46.1	52.1	.....	2.96
Financial	85.4	92.7	-0.3	4.33
Gilt Accum.	127.9	134.2	+0.2	3.50
Investment Trust	37.3	40.3	+0.1	4.17
Special Situations	24.4	26.4	-0.1	4.41
American Eagle	29.4	31.8	-0.6	1.38
Pacific Income	28.1	30.4	.....	2.16
Pacific Accum.	32.1	34.7	.....	2.16
Income	25.4	27.5	+0.3	10.83
Extra Income	54.0	58.2	...	11.83
Preference Share	11.6	12.8	.....	13.70
Equity	45.0	48.6	-0.5	6.82
Income and Growth	42.7	48.3	-0.2	6.48
Growth	35.6	38.5	-0.4	4.48
Pr'f's'n'l July 2	206.9	222.5	+5.8	4.86
Eqty. Ex. Inc.	251.5	270.4	-0.1	6.81
Equity Ex. Accum.	375.0	403.2	-0.1	6.81

Tower Unit Trust Mngt. Ltd.
39/45 Finsbury Square, EC2A 1PX. 01-628 2294

Income & Growth	21.1	22.2	.....	9.39
Special Situations	28.6	30.0	-0.2	2.64

INSURANCE PROPERTY BONDS

City of Westminster Assurance
Ringstead House, ... Croydon CR0 2JA.

Commercial Union Group
St. Helen's, 1, Undershaft, EC3.

Confederation Life Insurance Co.
50, Chancery Lane, WC2A 1HE.

Schroder Life Group♥
Enterprise House, Portsmouth. 0705 27733

Equity	274.5	289.1	+0.4	—
Fixed Int.	158.2	166.6	+0.6	—
Managed	161.9	170.5	+0.3	—
Money	123.9	130.5	.....	—
Overseas	82.3	86.7	+0.3	—
Property	200.2	210.9	+0.1	—
CCM Vanguard	105.2	110.9	-0.3	—
K & S Govt. Secs.	135.7	142.9	+0.5	—
Income Distrib.	93.2	98.1	.....	—
Income Accum.	98.4	103.7	.....	—
B.S. Pen. Cap.	145.5	152.9	.....	—
B.S. Pen. Acc.	168.6	177.1	.....	—
Equity Pension Cap.	118.1	124.4	.....	—
Equity Pension Acc.	126.8	133.5	.....	—
Mngd. Pen. Cap.	260.6	274.4	.....	—
Mgd. Pen. Acc.	330.8	348.3	.....	—
F. Int. Pen. Cap.	110.1	116.0	.....	—
F. Int. Pen. Acc.	118.3	124.7	.....	—
Money Pen. Cap.	114.2	120.3	.....	—
Money Pen. Acc.	122.6	129.1	.....	—
Prop. Pen. Cap.	145.9	153.6	.....	—
Prop. Pen. Acc.	156.3	164.6	.....	—

Prices are for Life Series 4, July 1. Pensions Series B June 24. Other prices on request.

Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

Inv.Ply. July 1	131.3	131.3	+0.3	—
Inv.Ply.Sr. July 1	123.2	129.7	+0.2	—
Inv.Cash July 1	115.6	121.7	+0.4	—
Ex. U. Acc. June 18	167.0	174.1	.....	—
Ex. U. Inc. June 18	142.9	149.0	.....	—
Pen. Man. June 30	337.2	337.2	-1.6	—

Skandia Life Assurance Co. Ltd.
161-166 Fleet St., London EC4 2DY 01-353 8511

Managed Acc.	102.2	107.6	-0.3	—
Equity Acc.	101.6	106.9	-0.1	—
Gilt Plus Acc.	99.6	104.8	.....	—
Pens. Managed Acc.	105.7	111.3	-0.4	—
Pens. Equity Acc.	105.0	110.5	-0.2	—

For Prices of other Units and Guaranteed Basis Rates please Phone 01-353 8511

For Solar Life Assurance Ltd. see Sun Life Unit Assurance Ltd.

Standard Life Assurance Company♥
3 George St., Edinburgh EH2 2XZ. 031-225 7971.

Managed	115.7	121.8	-0.4	—
Property	105.3	110.9	-2.5	—
Equity	127.0	134.0	-0.2	—
International	102.6	108.0	-1.0	—
Fixed Interest	106.0	111.6	-0.3	—
Cash	101.8	107.2	.....	—
Pension Managed	111.9	117.8	-0.8	—
Pension Property	99.8	105.1	.....	—

OFFSHORE & OVERSEAS FUNDS

Barbican Managers (Jersey) Ltd.
P.O. Box 63, St. Helier, Jersey 0534 74806

Barb. Int. Fund	88.4	94.8	.....	5.00

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

Overseas Income	44.2	46.8	.....	13.85
Unidollar Trust	US$12.98	13.64	.....	3.03
Unibond Trust	US$95.29	96.19	-0.35	10.40

1, Thomas St., Douglas, Isle o Man. 0624 4856

Unicorn Aust. Ext.	75.3	81.0	.....	1.10
Do. Aust. Min.	71.1	76.5	+1.1	1.10
Do. Grtr. Pacific	92.2	99.2	.....	—
Do. Intl Income	33.6	36.2	.....	9.70
Do. Isle of Man Tst.	42.7	46.0	.....	9.70
Do. Manx Mutual	38.9	41.9	.....	1.90

Bishopsgate Commodity Ser. Ltd.
P.O. Box 42, Douglas, I.o.M. 0624-23911

ARMAC *June 2	US$65.80	69.75	.....	—
COUNT **June 2	£3.724	3.950	.....	1.33
CANRHO **June 2	£1.442	1.530	.....	—

Originally issued at *$10 and **£1. Next val. July 7.

Bishopsgate Progressive—Ldn. Agents
9, Bishopsgate, EC2N 3AD 01-588 6280

BNAUT Inc June 25.	US$3.64	3.87	.....	0.19
BNASF June 26	113.0	122.21	+0.03	1.60

Bridge Management Ltd.
GPO Box 590, Hong Kong

N'bishi June 30		Y17523	+1135	—
Nippon Fund June 25	17.26	18.04	.....	1.50

Britannia Tst. Mngmt. (C.I.) Ltd.
30 Bath St., St. Helier, Jersey. 0534 73114

U.S. Dollar Denominated Fds.

Universal $ Trust	98.4	105.8	.....	—
World Bond Fund	94.5	98.0	.....	10.60

Sterling Denominated Fds.

Growth Invest	41.3	44.4	.....	4.10
Far East & Int Fd.	106.4	114.4	.....	1.00
Jersey Energy Tst.	249.7	268.4	.....	1.50
Amer.Smlr.Cos.Fd.	32.3	34.7	.....	—
High Int.Stlg.Tst.	86.0	89.0	.....	13.50

Value at June 27. Next dealing July 7.

Capital Deposit Tst.	£11.15	11.16	.....	0.25

Est. capital return on request. Next dealing July 1.

Brown Shipley Tst. Co. (Jersey) Ltd.
P.O. Box 583, St. Helier, Jersey. 0534 74777

Stlg. Bd. Fd. (h)	£9.66	9.71	+0.02	13.12
Sterling Cap. Fd.	11.19	11.19	.....	—

Butterfield Management Co. Ltd.
P.O. Box 195, Hamilton, Bermuda

Buttress Equity	US$3.72	3.84	.....	2.05
Buttress Income	2.21	2.28	.....	9.41

Continued on previous page

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Over Fifteen Years

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CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1980 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
160	107	Sth. Rhod. 2½pc '65-70	153#	......	—	—
169	133	Do. 6pc '78-81	167#	......	—	—

LOANS

Public Board and Ind.

1980 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
61¾	56½	Agric. Mt. 5pc '59-89	61xd	......	8.20	12.27
80	73½	Alcan 10½pc '89-94	78½xd	......	13.37	14.10
28½	25	Met. Wtr. 3pc 'B'	28½	+¼	10.91	12.97
103	89	U.S.M.C. 9pc 1982	100xd	......	9.00	—
92	85½	Do. without Warrants	90xd	......	10.00	12.95

LOANS—Continued

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

1980 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
244	202	ANZ SA1	227	......	†Q23c	3.7	5.0	5.5
250	183	Alexanders D. £1	240	−4	16.0	—	9.5	—
£76½	£56	Algemene Fl.100	£64	−½	Q25%	1.9	7.9	6.8
370	290	Allen Harvey £1	365	−5	21.5	—	8.4	—
128	96	Allied Irish	105	−3	Q8.93	—	8.2	—
17	13	Arbuthnot (H.) 5p	14¾	......	0.15	—	1.5	—
235	180	Arbuthnot L. £1	210xd	......	11.0	—	7.5	—
360	280	Bk. Ireland £1	300	−5	Q23.51	—	7.6	—
£162	£134	Do. 10pc Conv.	£138	......	Q10%	—	†7.4	—
*8	5	Bk. Leumi $0.1	7	......	Q11%	—	†6.6	—
120	100	Bk. Leumi (UK) £1	120	......	6.57	—	10.7	—
178	135	Bk. N.S.W. $A1	142	−4	Q18c	3.0	6.5	5.1

BANKS & HP—Continued

Hire Purchase, etc.

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INDUSTRIALS—Continued

INSURANCE

INSURANCE—Continued

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
358	268	Pearl 5p	356	......	17.0	—	6.8	—
254	206	Phoenix	242	−4	13.3	—	7.8	—
176	136	Provident	174	......	10.2	—	8.4	—
209	162	Prudential	208	......	9.5	—	6.5	—
188	140	Refuge 5p	184	−2	10.6	—	8.2	—
375	307	Royal	370	−5	21.5	—	8.3	—
114	88	Sedgwick 10p	113	−1	5.0	2.3	6.3	10.0
85	67	Stenhouse	83	......	4.52	2.3	7.8	7.5
220	168	Stewart Wr. 20p	213	......	12.0	2.0	8.0	(8.6)
658	520	Sun Alliance £1	652	−2	28.0	—	6.1	—
182	130	Sun Life 5p	182	......	H7.5	—	5.9	—
543	433	Taisho Mar. EDR	520	−6	q010%	—	0.2	—
195	155	Trade Indemnity	193	......	5.6	—	4.1	—
£19¾	£15¼	Travelers $2.50	£17½	−¼	Q52.40	—	6.3	—
250	207	Willis Faber	235	......	11.0	1.8	6.7	11.6

LEISURE

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
85	60	Anglia TV 'A'	83xd	......	†3.57	3.8	6.2	7.5
99	82	Assoc. Leisure 5p	99	......	†4.25	2.6	6.1	8.2
129	80	Barr & W.A.T. 'A'	80	−3	6.75	2.4	12.1	4.4
63½	34	Black Edgtn. 50p	34	−1	d5.0	1.0	21.0	(6.8)
136	86	Boosey & Hawkes	127	......	5.67	1.8	6.4	10.0
98	45	Campari Int. 20p	56	......	†h3.65	3.5	9.3	3.4
80	57	Coral Leis. 10p	63	−1	7.45	2.2	16.9	3.9
95½	71	Fairline Boats 10p	71	−½	g5.2	3.6	10.5	5.6
55	37	Gaspar Fashion 10p	43	......	—	—	—	—
56	24	Grampian 'A' 10p	35	......	2.28	1.7	9.3	8.8
120	90	HTV Non/Vtg.	116	−1	10.0	1.5	12.7	7.7
47½	35½	Hawley Leisure 5p	43½	......	M1.6	5.7	5.3	7.4
298	200	Horizon	255	−5	†7.35	4.4	4.1	7.9
14	4	H'w'rd Wy'd 20p	9½	......	B—	—	—	—
13	9	Lancaster (D. M.) 5p	9	−1	—	—	—	—
136	100	LWT "A"	123	−1	9.89	2.1	11.5	5.8
150	107	Mngmt. Ag. M. 10p	136	......	†8.49	2.9	9.1	5.4
34	29	Medminster 10p	29	......	†2.25	1.9	11.5	6.4
9½	5½	††Nationwide 5p	6	......	†0.37	0.1	8.1	—
98	65	Norton & Wrt. 10p	90	......	†2.98	4.2	4.7	7.2
21	15	††Pan Atlas 20p	16	......	—	—	—	—
56	46	Photax (Lon.)	50	......	d3.5	4.5	10.0	2.4

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
234	190	Pearson (S) & Son	228	......	10.0	3.6	6.3	5.9
120	85	Rosebaugh 10p	112	......	—	—	—	—
151	95	Scot. & Merc. 'A'	147	......	4.75	2.1	4.6	27.5
£11½	£10¼	Sel. Nic. Pig. Pt. Pri.	£11¼		—	—	—	—
657	552	S.E. 5¼pc Ann	554		Q4¼%	—	7.9	—
37	22	Smith Bros.	34		†d2.6	0.7	[illegible]	29.3
£31	£26½	Suez Fin. NF100	£25¾	......	Q30%	φ	11.5	φ
£12½	£11	Trans. Nat. Tst. [illegible]	£11½	......	Q62.0	1.0	5.4	φ
29	20	Wstn. Select 20p	25	......	†2.1	1.3	12.0	11.2
11	9½	Yorkgreen 10p	10	......	0.44	3.5	6.3	7.2
130	97	Yule Catto 10p	115	......	2.0	3.1	2.6	16.5

OIL AND GAS

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
490	153	††Aran Energy £1	474	−16	—	—	—	—
310	164	Attock 20p	290	−20	—	—	—	—
775	405	Basic Res. Int. S.A.	585	−65	—	—	—	—
256	83	††Berkeley Explo.	244	−12	—	—	—	—
344	278	Brit. Borneo 10p	296	−2	t9.5	2.5	4.6	13.0
412	320	Brit. Petroleum	360	−6	17.5	4.7	6.9	3.4
60	56¼	Do. 8% Pf. £1	58½	......	5.6%	25.56	13.7	—
249	162	Burmah £1	224	−2	6.5	3.0	4.1	(2.2)
£66¼	£56½	Do. 8½ Ln. 91/96	£62½xd	......	Q8½%	15.7	[illegible]	—
332	210	††CCP North Sea	265	−7	—	—	—	—
318	165	††Cambridge Pet. 20p	250	......	♦—	—	—	—
230	76	††Candecca Res.	226	−4	—	—	—	—
*151	68	Carless Capel 10p	150	+1	H2.5	4.3	2.4	14.3
180	115	Century 10p	162xd	−1	4.5	φ	4.0	φ
*81½	52½	Charterhall 5p	73xr	+1	—	—	—	—
£30½	£24¼	Cie Fr. Petroles B.	£26¾	......	Q15fr	2.2	6.0	7.6
470	310	††Cluff Oil £1	345	......	—	—	—	—
455	295	††Do. Cnv. A	335	......	—	—	—	—
634	230	††Clyde Petrol £1	620	−12	M2.0	1.6	0.5	(98.2)
155	118	††Double Eagle	135	+2	—	—	—	—
258	103	††Edinburgh Secs.	236	−4	G1.28	1.4	0.8	133.5
455	265	††Gas & Oil Acreage	440	−15	—	—	—	—
166	111	Hunting Petrol	160	......	5.5	2.5	4.9	9.4
898	593	Imp. Cont. Gas £1	898	+23	21.0	φ	3.4	φ
94	41	KCA	86	−4	4.5	0.2	7.5	—
800	337	LASMO	800	+12	—	—	—	62.1
£101½	£91½	LASMO 14% 1981-83	£101	−½	Q14%	—	13.9	—
£10½	870	LASMO "Ops" 10p	£10¼	+⅛	42.6	—	6.0	—
260	140	††Magellan Pet.	245	−5	—	—	—	—
65	27	Magnet Metals 10p	48	+1	—	—	—	—
49	32	††New Court Nat.	45	+2	0.55	3.0	1.7	21.1
115	60	††Nth. Sea Assets 50p	106	−4	b1.67	0.8	2.2	92.6
22	13	††Offshore Oil	20½	......	—	—	—	—
475	300	††Pict Petroleum	460	−10	—	—	—	—
103	39½	Premier Cons. 5p	103	......	—	—	—	—
£15¾	820	Ranger Oil	£15⅞	......	—	—	—	—
£39½	£32	Ryl. Dutch Fl.20	£35¼	−½	Q61½%	5.3	7.4	2.6
210	133	††SASOL R1	143	+1	bQ11½c	2.2	4.4	9.9
730	295	Santos A0.25c	710	+15	Q7½c	1.6	0.5	114.6
605	360	Sceptre Res.	550	−15	—	—	—	—
410	314	Shell Trans. Reg.	396	−8	16.76	4.3	6.8	3.7
55	50	Do. 7% Pf. £1	55	......	4.9%	25.39	12.7	—
290	101	††Sovereign Oil	288	......	—	—	—	59.2
210	118	Siebens (UK)	195	......	5.0	3.0	3.9	12.2
£83	£61½	Texaco 4¾% Cnv.	£73½	......	Q4¾%	—	f6.6	—
414	250	Tricentrol	392	−6	7.0	2.6	2.6	18.9

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

DAIWA SECURITIES

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL MARKETS

[illegible]

OPTIONS

3-month Call Rates

Industrials					
A. Brew	7	I.C.I.	27	Utd. Drapery	6½
B.O.C. Intl.	6	"Imps"	[illegible]	Vickers	12
B.S.R.	[illegible]	I.C.L.	24	Woolworths	5½
Babcock	[illegible]	Inveresk	4		
Barclays Bank	[illegible]	Ladbroke	25	**Property**	
Beecham	20	Legal & Gen.	15	Brit. Land	7
Blue Circle	25	Lex Service	[illegible]	Cap. Counties	9
Boots	[illegible]	Lloyds Bank	24	Land Secs.	26
Bowaters	15	"Lofs"	[illegible]	MEPC	17
B.A.T.	20	London Brick	[illegible]	Peachey	13
Brown (J.)	6	Lucas Inds.	27	Samuel Props.	12
Burton 'A'	12	"Mams"	14	Town & City	2
Cadburys	5½	Mrks. & Spncr	8		
Courtaulds	6	Midland Bank	26	**Oils**	
Debenhams	[illegible]	N.E.I.	5	Brit. Petroleum	32
Distillers	27	Nat. West. Bank	27	Burmah Oil	20
Dunlop	[illegible]	P & O Dfd.	39	Charterhall	10
Eagle Star	15	Plessey	14	KCA	11
F.N.F.C.	2¼	Racal Elect.	22	Premier	13
Gen. Accident	22	R.H.M.	4½	Shell	35
Gen. Electric	[illegible]	Rank Org.	15	Tricentrol	40
Glaxo	[illegible]	Reed Intnl.	16	Ultramar	35
Grand Met.	12	Spillers	5		
G.U.S. 'A'	34	Tesco	6	**Mines**	
Guardian	[illegible]	Thorn	25	Charter Cons.	14
G.K.N.	20	Trust Houses	12	Cons. Gold	40
Hawker Sidd.	15	Tube Invest.	23	Lonrho	8
House of Fraser	15	Unilever	40	Rio T. Zinc	35
		U.D.T.	5½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 32

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FINANCIAL TIMES
Wednesday July 2 1980

GUYSON BLAST CABINETS
making a world of difference to a world of different components

Rhys David reports on why BSC is challenging its electricity bill

Threat to Sheffield Steel

ELECTRIC ARC steelmaking in the Sheffield area may cease to be commercially viable because of big increases in electricity charges. The method is used by both private and state-owned plants in the city.

The warning has been given by the British Steel Corporation's Yorkshire and Humberside Division, which is asking the Yorkshire Electricity Board to justify an increase in the specially negotiated charges estimated at 30 per cent over the present financial year as a whole. It follows a 16 per cent rise last year.

The electric arc method of making steel from scrap forms only a minority of BSC's total steel output, but is used throughout the private sector of the industry in Britain. Implications of big increases in electricity charges extend far beyond the immediate BSC problem in Sheffield.

But much of the private sector production in Sheffield is in expensive high-alloy steels, where energy accounts for a smaller proportion of total costs.

BSC's challenge is part of a general attack on external costs by the Sheffield division, which is struggling to recover from the effects of this year's three-month strike and of a sharp reduction in steel demand in recent weeks.

Other suppliers to the division are being forced to pare their tenders to the minimum, and increased supplies of some are being obtained from cheaper overseas sources.

The Corporation has also begun to demolish its empty buildings to reduce its rates bill. Working hours are being cut in the next few months at most plants. BSC in London said that management in other divisions were also engaged in cutting costs by securing the most competitive possible terms from supplies.

The Yorkshire Electricity Board yesterday declined to be brought into the row, claiming that the exact nature of the BSC complaint was not yet known, and that energy costs were in any case a relatively small proportion of total steel production costs.

BSC claims that electricity for its Sheffield operations in 1980-1981 will cost an extra £12m, bringing the total bill to £53m. At its Scunthorpe plants, which employ conventional iron and steelmaking, the increase will be £5m, takingt he bill up to £24m.

Mr. John Pennington, managing director of BSC Yorkshire and Humberside, said yesterday that, according to studies undertaken by his officials, steel producers in Yorkshire were paying much more for their electricity than their competitors on the continent.

"We are paying 2.5p per kilowatter hour while in Germany the cost is 1.6p per kWh and in France 1.4p per kWh," he said.

In other European countries night rates operated for much longer than the seven-hour period in Sheffield. "We will have to look at whether electric arc steelmaking is a viable process. If charges continue to rise we will not be able to compete with hot metal whatever the price of scrap, or with our competitors on the continent," he said.

Electricity prices gave European producers a price advantage of as much as £8 per tonne, he claimed.

The reduction in working hours follows a severe decline in recent weeks. Customers in steel-using industries, such as motors, are buying less as sales decline.

Whole sections in some plants are being closed for a week at a being reduced or short-time time, while in others shifts are working introduced.

An extra week's holiday, days owing to thelabour force, grouping together six occasional will also be introduced in September at the endo f the summer plant shutdowns.

Mr. Pennington said yesterday it would only become clear by autumn where steel demand was going to settle. The pattern this year had followed predictions made in the stoppage of a post-strike surge in demand as customers restocked, followed by a severe drop as the pipeline filled up again. The division was on target to recover market share lost in the strike, but demand for the year as a whole would be significantly down on 1979-80.

Why the CEGB faces an inquiry, Page 18

Drop in number of stoppages

By Our Labour Staff

EIGHTY-ONE work stoppages started in May—the lowest number to start since December, according to details given to the Department of Employment and the base for provisional figures just published in the Employment Gazette.

During May 130 stoppages were in progress. These lost 378,000 working hours. Of these, 280,000 were lost through stoppages continuing from April. This also was the lowest number of working-hours lost since December. The stoppages involved about 96,000 workers.

Algerian oil put at $37 a barrel

By Ray Dafter, Energy Editor

ALGERIA HAS, raised its oil prices by $1.79 a barrel to the new ceiling rate of $37 a barrel set by members of the Organisation of Petroleum Exporting Countries last month.

The increase, which took effect yesterday, means that for the time being at least Algeria is effectively charging a record $40 a barrel. It already imposes a refundable $3 a barrel exploration surcharge on all of its sales.

However, within the oil industry it is expected that Algeria will have phased out this surcharge by September. The premium was introduced as a down-payment for future exploration work.

Algeria, the latest OPEC member to announce a July 1 price rise, now sells the world's most expensive crude oil. Given its high quality and nearness to consumer markets, Algeria's light crude has always been sold at a premium over Saudi Arabia's marker light crude.

The effective differential has now been stretched to $12 a barrel. Saudi Arabia has still not said when it will be raising its prices from the present reference level of $28 for a 35-gallon barrel.

A number of OPEC countries have raised their prices in line with the new two-tier arrangement agreed in Algiers last month. Under this compromise agreement, OPEC set two ceilings: $32 a barrel for light crude oil produced in the Persian Gulf, and $37 a barrel for premium crudes exported by African producers.

Kuwait has lifted its prices by $2 a barrel to $31.50; Iraq has introduced a similar increase, raising the Basrah Light price to $31.96; Libya has added 28 cents to bring its prices up to the $37 a barrel ceiling; and Venezuela has said it will probably add between $1 and $2 a barrel to its wide range of crude oils.

OPEC members are concerned that prices in the volatile spot market are weakening in response to falling demand. In some cases, spot prices are below the rates quoted for contract sales.

This is the main reason why the oil industry expects Algeria to phase out its $3 a barrel exploration premium.

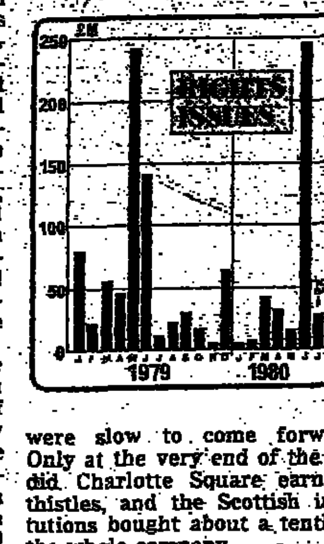
The arrangement, introduced last year, is due to be reviewed on September 30. By then, according to the oil industry publication, Petroleum Intelligence Weekly, individual buyers of Algerian oil could have accumulated between $8m and $42m each in the "exploration fund."

BP diversifies, Page 20

THE LEX COLUMN

Berisford lines its pocket

Index fell 3.4 to 461.4



Just as the equity market was chewing over the Ferranti placing, it was confronted with yet another rights issue from a company with no urgent need of cash. S and W Berisford is raising £29m through a one-for-four at 132p: the almost obligatory justifications are trotted out—working capital needs and a rising interest charge. Doubtless it is true that Berisford can employ this sort of money usefully in commodity trading, where a broader equity base will also help. But the main reason must be to assemble ammounition for launching a bigger bid for British Sugar if the Monopolies Commission gives it the go-ahead.

Berisford could just have offered more paper to British Sugar shareholders as part of a higher bid, but it presumably judges that its paper is more acceptable to its own shareholders, while investors in British Sugar may want a cash alternative. The rights issue will also quite simply make it a bigger company, strengthening its borrowing position and pushing its market capitalisation back up above British Sugar's—£160m against £140m.

This is not going to make British Sugar's wait for the Monopolies Commission report any less anxious. Berisford must be hoping that the weakness in its own share price resulting from the rights issue will have evaporated by the autumn. Indeed, the 9½ per cent yield and the prospective benefit from lower interest rates should be enough to prevent any significant underperformance. And if British Sugar's shares do take off into the blue (yesterday they rose 6p to 234p, a new high for the year), there is always the possibility that Berisford may do what it originally said it intended to do, and simply take a profit on its British Sugar holding — there is a book gain of around £5m at present.

Ferranti

It was a long hard day for the brokers handling the Ferranti placing, although eventually they got home for dinner. The Scottish institutions, it seems, were not quite as enthusiastic about the restrictions on the transfer of the shares as one of two of their more ebullient spokesmen had suggested—especially when they saw the price. The unit trusts were naturally reluctant to get locked into what for two years will amount to an illiquid investment; and the pension funds were slow to come forward. Only at the very end of the day did Charlotte Square earn its thistles, and the Scottish institutions bought about a tenth of the whole company.

While the telephones were still humming in the City, Sir Keith Joseph was telling parliament why it was appropriate to shield Ferranti's management from the disciplines of the market place until 1982. The National Enterprise Board, with no firm bid for its shares in Ferranti on the table, had concluded that a normal placing would have been in the best interests of the taxpayer and the company. If that had been followed by an outright bid, at least the taxpayer would have not suffered from any subsequent reference to the Monopolies Commission, a point which Sir Keith seemed to gloss over yesterday.

The result of all this is that the Ferranti family interests, who were running the business when it got into trouble in the first place and succeeded then in securing very favourable terms from the government, are now once again the biggest shareholders in the company with around a fifth of the equity. The Ferranti brothers hold the position of chairman and deputy chairman. This rates as a remarkable comeback by any standards.

Tesco

Tesco's 1980 report and accounts is embellished with the group's rather improbable coat of arms, complete with badgers rampant, stylised supermarket walkways and a Latin motto "May the traders be convivial together." Unfortunately, things are not as convivial as all that—the Inland Revenue has turned distinctly nasty on the subject of corporation tax relief claimed by Tesco since time immemorial.

Not only are the tax authorities trying to deny group relief in respect of an associated company's capital allowances, they are also claiming that Operation Checkout, constituted a change in the conduct of Tesco's trade and trying to reduce tax relief on stock changes that resulted from it. Together, these give Tesco a contingent liability of over £10m, and although Tesco contests the Revenue's claim, there may be a threat to other food retailers who have indulged in pricecutting campaigns.

In the meantime, Tesco's search for tax relief continues unabated. Stocks rose 31 per cent to £179m, rather faster than sales. And although there has been the usual hefty increase in creditors, it is not quite on the scale of 1978-79 when transactions were bunched as a result of the lorry-drivers' strike. Partly as a result of these less favourable working capital movements, the cash surplus from current trading was only £8m in 1979-80, compared with £26m the previous year. But this is swamped in any case by the group's capital spending programme and the overall cash flow deficit for the year works out at £82m, which takes net debt at the balance sheet date over 30 per cent of shareholders' funds.

Buying in

The Inland Revenue will presumably faint away with horror at the news that the Secretary of State for Trade wants legislation in the next session to enable companies to buy their own shares. The idea of distributing capital free of advance corporation tax or income tax will just be too much to contemplate. All the same, the idea is to change company law first and worry about introducing the necessary tax regime later. Although there is bound to be a lot of argument about the position of listed companies, it should be possible to devise satisfactory tax rules for certain categories of private companies. And there need be little debate about the desirability of allowing limited changes to improve the capital structure of the small business sector.

Meanwhile, the Secretary of State's welcome clarification of competition policy makes it fairly clear that a bid such as GEC's for Averys would now be much less likely to secure official approval.

Institutions boycott Ferranti shares

BY ANDREW FISHER AND GUY DE JONQUIERES

SEVERAL major financial institutions refuse dto take part in yesterday's £54m placing of shares in the Ferranti electronics company, although the City operation was finally completed in the late afternoon.

Opposition to having to undertake not to trade the shares for two years after was one reason for many staying aloof. The high price of the shares was also cited.

The two-year "lock-in" period originated from a Government direction to the National Enterprise Board, which was selling most of its 50 per cent stake in Ferranti. This was made clear yesterday by Sir Keith Joseph, Industry Secretary.

He told the Commons the board had advised him that it favoured placing the shares with institutions, but judged that imposing conditions on disposal was not normal commercial action. It had therefore asked him for a direction.

He added that the cost to the taxpayer of this method of disposal, rather than selling the shares as a block to the highest bidder, could not be calculated.

The 10.24m shares were offered to institutions at 530p. This was an 11 per cent discount on the 595p price before suspension ahead of the placing.

Pension funds were virtually split down the middle over the placing's terms. Half were unwilling to take up the shares at that price, which reflected recent bid speculations or because of the trading ambargo.

Scottish institutions were understood to have taken about a fifth of the shares. But some were irritated by what they saw as too high a price, compared with other schemes put forward for the NEB stake.

The decision to allocate the NEB's shares among institutions, rather than sell them to the highest bidder or float them off to the public, reflected pressure from the Scottish Office aimed at maintaining Ferranti's independence. It has substantial operations in Scotland.

Several Scottish institutions thought that a Scottish bank or finance house should have been involved in the placing. This was handled by Cazenove, the major London stockbrokers, on behalf of Rothschilds for the NEB.

Assisting Cazenove were Ferranti's own brokers, Greenwell and the Liverpool-based Tilney, and Savory Milln.

"The Scottish institutions were not as enthusiastic as we had hope and expected," said Sir Arthur Knight, NEB chairman. This was surprising after what the NEB had been led to understand, he said, "and following the political action which has influenced the Government."

Sir Arthur said the NEB had received no firm offers for its Ferranti shares by the time it decided to place them with institutions.

The decision had been influenced by concern about the possibility of a reference to the Monopolies Commission, by the belief that Ferranti genuinely wished to remain independent and by the NEB's desire to attend to its other activities.

Mr. Adam Butler, Minister of State for Industry, said that the method of disposal did not signify any change in Government policy.

The NEB's 50 per cent ownership of Ferranti was "an unnatural situation." The two-year restriction on the shares would give the company an opportunity to show that it could stand on its own feet.

He added that the decision to set aside about 2 per cent of the shares for Ferranti employees was consistent with the Government's policy of encouraging share ownership by employees.

In the Commons, Mr. John Silkin, shadow nIdustry Secretary, said that it would have been better to leave the shares with the NEB.

The taxpayer was suffering by the shares being placed at an 11 per cent discount.

Parliament, Page 13

Kuwait bid for control of Hay's Wharf stock

By Michael Cassell

THE KUWAIT Investment Office yesterday served notice on The Proprietors of Hay's Wharf that it intends to make a bid for the 67.3 per cent of the equity which it does not already own in the property, chemicals and distribution group.

Details of the proposed bid have not been announced or disclosed to Hay's Wharf, although the directors have been told that terms will be revealed "shortly." News of the move had an immediate impact on Hay's Wharf shares, sending them up 74p to 240p and putting a value on the group of almost £52m.

A letter delivered yesterday morning by solicitors acting for the Kuwaitis said simply that a company which it controlled would soon be making an offer to acquire all the outstanding shares in the group. The Kuwait Investment Office declined to elaborate on its plans.

Hay's Wharf said the approach came as a complete surprise but that it would give consideration to any offer when it was made. In the meantime, the board strongly recommended shareholders not to sell their shares.

The Kuwait Investment Office acts as the investment vehicle for Kuwaiti State funds and has been building up a large investment portfolio in the UK. A list of companies in which the KIO has more than 5 per cent of the equity, and which it is obliged to disclose under the Companies Act 1976, indicates that its investments are worth at least £225m. The Kuwait Office also invests via nominee companies

The Kuwaiti office took on its existing 32.7 per cent interest in Hay's Wharf when it acquired St. Martin's Property Corporation for £107m in 1975. It is thought that St. Martins remains the only UK company which Kuwait controls and that, therefore the bid could come from this direction.

The Kuwait Investment Office holding in Hay's Wharf represents by far the single largest percentage stake in any of its UK investments excluding its ownership of St. Martins

Green Paper aims to promote competition

BY CHRISTINE MOIR

FURTHER CHANGES in company and tax law aimed at creating a "more flexible" and "more competitive" environment for British industry were foreshadowed by Mr. John Nott, the Trade Secretary, yesterday. The changes would encourage investment in new innovative companies and allow big conglomerates to split up if they wished, he said in a major policy statement in London.

At the same time, he said, there would be "considerably more scepticism" towards prospective merger, but no new legislation in this area.

Mr. Nott outlined his philosophy on competition in British industry as he introduced a Green Paper, published yesterday, which proposes that companies be given the power to purchase their own shares.

Present UK company law prohibits this, although it is common practice in the U.S. and other European countries.

Mr. Nott said that he had been in favour of a change in the law for 15 years because "substantial benefits" could result from removing the prohibition.

The preamble to the Green Paper suggests that the purchase by private companies of their own shares would encourage investment and participation in them.

Investors would be more ready to invest in such companies—often, Mr. Nott said, the "new innovative businesses" which are the country's industrial "seed corn"—if they knew they could realise all or part of their investment.

Large cash-rich companies might also be attracted by the right to purchase their own shares. It would open a route by which they could give their surplus resources back to shareholders.

This was only one way in which Government was seeking to help companies redistribute their assets, Mr. Nott said. The Government was committed to smoothing the path for companies seeking to "demerge," either because historic mergers had been unsuccessful or because future trading patterns suggested it on commercial grounds.

A new clause is to be inserted in the Finance Bill which will represent "a significant step towards a more neutral tax policy as between mergers and demergers," he said. That was being debated in the Finance Bill Committee yesterday.

Finally, Mr. Nott said, the Government would take a much more sceptical approach to mergers in the future.

Editorial Comment, Page 18
Principle jettisoned, Page 12

Continues from Page 1

Aston Martin

In anticipation of a consortium takeover, BL scrapped plans in March to move to Abingdon a components export packaging operation. This went to Cowley instead. That involved 400 jobs.

It was planning to set up a special vehicles operation at Abingdon, producing luxury Van Den Plas versions of several models, including the Princess, and sports versions of some others.

That, too, is now being set up at Cowley.

BL executives are examining whether these projects can be moved to Abingdon after all. But they are already being implemented and the prospects for this happening look dim.

Instead, the Abingdon employees on Friday are likely to be placed on 90 days' termination notice. They are already on a three-day week, with MG production at 380 cars a week against a normal level of 600.

It is possible they might be restored to five-day working for the three months, to make sure that U.S. dealers in particular—which take 80 per cent of production—will have enough stock to last until next spring. By then, BL hopes to have ready for sale the Triumph TR 7-based MG it planned to market before the consortium's approach.

Before the talks started with the consortium, BL had already decided to cease production of the MGB from this December.

Berisford in £28.5m rights issue

BY IAN RODGER

S. AND W. BERISFORD, the commodity merchants whose £120.6m bid last month for British Sugar Corporation is being reviewed by the Monopolies and Mergers Commission, is seeking to raise £28.5m from its shareholders through a one-for-four rights issue.

The issue comes only a few weeks after Berisford showed it had £51.7m in cash at its disposal for the combined shares and cash offer for British Sugar. Berisford shares fell 13p to 146p after the news.

British Sugar shares gained 6p to 146p yesterday, perhaps anticipating the issue proceeds being used to increase the value of the Berisford bid, provided the Monopolies Commission allows it to proceed.

Mr. G. E. Percival, a Berisford director, refused to say whether the funds would be used for an eventual bid. "I am not able to answer that unless you can tell me how the Monopolies Commission will find," he said.

In the rights issue circular, Mr. E. S. Margulies, Berisford chairman, said the money is being raised because inflation in commodity prices has contributed to an increase in the company's working capital needs.

However, Mr. Percival agreed that, apart from sugar, the price of many commodities has been generally lower recently.

"I think we know how to use the money and we do have an obvious interest in expansion, both internally and externally."

British Sugar, in which the Government has a 24.2 per cent stake that may be for sale, has opposed the Berisford bid, alleging it has no commercial logic and that Berisford has no experience in managing a manufacturing company.

British Sugar, which has just completed a five-year £150m investment programme, also said acquisition, apparently in an it is considering making an attempt to fend off the Berisford bid.

Berisford acts as merchant for half of British Sugar's sales and about one quarter of those of the other major British refiner, Tate and Lyle.

Weather

UK TODAY

SHOWERY NORTHERLY airstream over the East, but in Western areas it will be dry with sunny intervals. Cool and windy in East.

London, S.E. England, E. Anglia, E. and N.E. England

Mostly cloudy with occasional showers, becoming brighter North wind fresh or strong moderating. Max. 14C (57F).

S. and S.W. England, the Midlands, S Wales, N. England, N. Wales

Mostly dry with bright or sunny intervals. Wind N.W. light to moderate. Max. 16C (61F).

East Scotland

Mostly cloudy with occasional showers. Wind N. moderate. Max. 14C (57F).

W Scotland, Highlands, Ulster

Mainly dry with sunny intervals. Wind light and variable. Max. 15C (59F).

Outlook: Mainly dry but rather cool.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	22	72	Lisbon	S	24	75
Algiers	S	27	81	Locarno	C	16	61
Amsdm.	C	15	59	London	R	12	54
Athens	S	29	84	Luxmbg.	C	13	55
Bahrain	S	36	97	Madrid	S	29	84
Barclna.	S	23	73	Majorca	S	26	79
Beirut	S	28	82	Malaga	S	25	77
Belfast	C	14	57	Malta	C	28	82
Belgrd.	F	22	72	Mchstr.	C	13	55
Berlin	C	20	68	Melbne.	C	11	52
Biarritz.	C	16	61	Milan	C	22	72
Bmghm	C	12	54	M'ntreal	C	26	79
Blackp'l	C	15	59	Moscow	R	18	64
Bordx.	C	15	59	Munich	R	17	63
Boulgn.	R	12	54	Nairobi	C	16	61
Bristol	C	15	59	Naples	F	24	75
Brussels	R	12	54	Nwcstl.	C	11	52
Budpst.	F	22	72	N. York	S	25	77
B. Aires	S	8	46	Nice	S	21	70
Cairo	S	41	105	Nicosia	S	31	88
Cardiff	F	16	61	Oporto	S	19	66
Casbca.	C	21	70	Oslo	F	23	73
Cape T.	S	16	61	Paris	C	12	54
Chicago	C	22	72	Perth	C	15	59
Cologne	C	14	57	Prague	C	20	68
Cpnhgn.	F	16	61	Reykjvk.	C	12	54
Corfu	S	29	84	Rhodes	S	27	81
Dublin	C	15	59	Rio J'o	S	24	75
Dbrvnk	C	22	72	Rome	S	23	73
Ednbgh.	C	14	57	Salzb'rg	C	22	72
Faro	S	23	73	Singapr.	S	32	88
Florence	C	24	75	Stckhm.	C	22	72
Frankf't	S	14	57	Strasb'g	C	15	59
Funchal	C	20	68	Sydney	C	16	61
Geneva	R	13	55	Tangier	S	26	79
Gibrltr	S	24	75	Tehran	S	28	82
Glasgow	F	16	61	Tel Aviv	S	28	82
G'rnsey	S	14	57	Tenerife	F	19	66
Helsinki	S	20	68	Tokyo	C	21	70
H Kong	S	31	88	Toronto	S	27	81
Innsbr'k	C	19	66	Tunis	S	33	91
Invrnss.	R	12	54	Valencia	S	26	79
I o Man	C	13	55	Venice	C	21	70
Istanbul	S	26	79	Vienna	F	23	73
Jersey	F	15	59	Warsaw	C	16	61
Jo'burg	S	11	52	Zurich	R	13	55
L. Plms.	F	23	73				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

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